

OVERHAUL OF RISK MANAGEMENT SYSTEMS:

THE KEY TO ADDRESSING CHRONIC FINANCIAL SHORTFALLS, CHRONIC CITIZEN COMPLAINTS

(Item: The Office of the Ombudsman knows of a senior-level City employee who has been repeatedly and violently threatened by another City employee. Despite a formal, written policy of zero-tolerance for such behavior, the previous administration's department head refused to act to dismiss or even reprimand the hostile employee. In fact, this Office was unable to determine if the departmental officials even launched an investigation into the matter. While concerned for the employee being threatened, who has decided not to file a formal complaint, we are equally concerned for the safety of all City employees as long as one who is so openly combative remains here in the building, apparently unscathed and untouched by disciplinary measures. We also fear the lack of proper protective measures may eventually lead to increased City liability, if not an outright tragedy. Further conversations with the targeted employee indicate that the problem may be spreading within that division to other employees; they may have learned they can Aact out@ without consequences. Creating a culture of heightened awareness of potential risks for liability, not to mention protecting the public, should prevent such blatant disregard for City employees= safety.)

A brief reread of previous Ombudsman Office reports on risk management reveals a recurring theme:

In 1994, the Office of the Ombudsman's annual Budget Analysis Report stated: AThis Office finds that the City needs the ability to not only respond faster to unsafe conditions, such as defective sidewalks and missing traffic signs, but the City must also take a more effective approach to existing, pending, and potential lawsuits.@

In 1995, we noted in the Budget Analysis Report: AAccording to the Law Department's activity statistics, the problem with lawsuits is getting worse.@

In 1996, we observed that lawsuits and claims against the City Acost the City three times over@in the following ways:

- (1) Draining Law Department funds to administrate, investigate, and litigate and settle the case;
- (2) Draining the enforcement departments; funds (DPW, B&SE, DWSD, PLD, etc.) to administrate, investigate, and address the underlying condition

whether it be, for example, sidewalks, catch basins, street lighting, or pot holes; and

- (3) Draining complaint center funds (Neighborhood City Halls, Ombudsman Office, Mayor-s staff, Council staff, etc.) to administrate, take the complaint, process the complaint, perform the follow-up, etc.

In 2000, the Office of the Ombudsman found, in the context of analyzing various Public Safety issues, that the 1997 City Charter-mandated Risk Management Council had not yet been implemented, and that lack of implementation Adoes not provide for the coordinated effort and periodic empirical scrutiny envisioned by framers of the City Charter.@

In 2001, we observed that Athe issue of fiscally crippling settlements and judgments [paid] to litigants who sue the City for damages is a repeating offender that costs citizens several times over: The citizen pays the initial tax dollars which fund the services which are improperly delivered and which lead to increased liability. The citizen pays again for the staff time involved in responding to the complaint; [in addition,] this staff time encumbers personnel who could be performing other badly-needed public functions. Additionally, payments to litigants, attorney fees, and court costs drain the City of financial resources... Injured citizens, those who legitimately claim damages from the City, pay again in terms of doctor bills, repairs, attorney and court fees, and in some cases, in pain and suffering.@

In addition, the 2001 Budget Analysis Report noted the cause and effect relationship between at least eight of the top fifteen complaint areas in the previous ten years (and indirectly to most of the rest), and chronic hemorrhaging of public funds due to claims, judgments and settlements. Clearly, timely preventative work on these complaint areas, while costly to perform, would nonetheless have saved the City in terms of outlays for damages and injuries: The work on the complaint matter had to be accomplished in any case; the only question is would it be accomplished before or after an innocent citizen was injured or suffered property damage as a result of the City-s negligence? If after, the cost of work on the complaint matter was multiplied many times over.

Finally, we observed in the 2000 report that many of the recommendations found within the 1997 Bobb Report to the Police Department on risk management made excellent sense. The Police Department, in part because of the nature of its work, and in part because there are serious and far-reaching systemic reforms needed, can and does expose the City to vastly expensive lawsuits. In addition, we noted in our 2000 report that many of those recommendations could be easily restructured to fit other departments involved in chronic environmental complaints, injuries, damage claims, and court judgments.

(Item: The Office of the Chief Investigator (OCI), the division of the Police Department charged with investigating non-criminal police misconduct, spent six months in responding to a simple complaint originally filed directly with OCI by the complainant regarding the allegedly unprofessional and rude behavior of a police officer. Since no injury or property damage occurred, it was clear the complaint was a simple matter of wishing to bring to OCI's attention that a particular officer was lacking in his professional demeanor. Later the Office of the Ombudsman was called in because of the lack of any response at all from OCI. Still, OCI did not respond. The City Ombudsman met with an OCI representative to make further inquiries, but the Ombudsman's Office did not receive a response until six months after it was originally filed by the complainant, and more than four months after the Ombudsman's Office had filed the complaint. The officer was deemed guilty of improper conduct, and the matter was closed. Since most OCI complaints filed by this Office are handled in a fairly timely manner, we were puzzled by this apparent stall, but even more concerned that officers who exhibit some attitude problems should be checked firmly and timely before an incident occurs which could cost the City dearly in claims, settlements or judgments. Police misconduct should be nipped in the bud before it grows or spreads; inaction is often considered an endorsement.)

The Office of the Ombudsman is admittedly weary of annually repeating the same or similar lists of citizen complaints, the same or similar lists of observations and inquiries, and the same or similar lists of recommendations. We suspect that the reader is similarly weary, as are the many citizens who live in, work in, or visit this City, and who may find themselves enmeshed in the City's various and often frustrating citizen complaint and claims systems.

However, we are pleased that a new administration promises to bring energetic, fresh and creative systemic and administrative reforms to this City's chronic problems. Particularly, we were heartened to hear, in the Mayor's Budget Message, an emphasis put on proactive, preventive approaches to City problems. We believe such thinking is long overdue.

To that end, the Office of the Ombudsman proposes that reforming the various and separate systems of Risk Management may hold the key to similarly reforming the mechanisms used by various City departments in addressing chronic environmental complaints, the very sorts of complaints which recur year after year and which are so costly to the City and its citizens.

**Current Risk Management System:
Lack of Cohesiveness, Lack of Leadership**

(Item: This Office has heard that the Human Resources Department, under previous leadership, allegedly engaged in occasional favoritism and bias with some of its

hiring practices. For example, we have heard certain unverified but repeated rumors that the previous Director deliberately delayed filling certain positions until he could personally interview and rate the applicants. Further, it has been alleged that the Fire Department, with the apparent collusion of the Human Resources Department, engaged in the practice of favoring applicants for firefighter who had been recommended by someone of high rank within the Department. In addition, it has been alleged that the Fire Department and the Human Resources Department have a pattern of refusing to abide by the Michigan statute requiring favorable treatment for veterans. This practice, if true, is not only illegal and improper, but could also prove extremely costly to the City.

Finally, we are also aware that the Civil Service Commission has neglected to respond to several letters from attorneys requesting information on matters pertaining to City employees and their rights. We assert that well-publicized and repetitive communications from the Mayor's Office to department heads and other supervisors regarding the need to protect the City from unnecessary liability would have squashed these alleged practices before they reached the present point of threatened legal action.)

To fully comprehend the City's current risk management system is to understand, in large part, why it has not been effective in limiting the City's liability for expenses incurred when citizens are injured or damaged by a negligent action or omission on the City's part. The City's current risk management system, inherited from previous administrations, is an amalgam of offices, committees, individuals, and a non-meeting collection of department heads. Unfortunately, this amalgam apparently does not communicate within its constituent parts, let alone share data or coordinate policies, practices, and stratagems for limiting and preventing City liability.

Currently, the City suffers a hodge-podge of risk-assessment entities. There is a Risk Assessment office in the Police Department; there is a Risk Management Division in the Finance Department (which deals with employee issues and workers compensation), there is a Risk Management office in the Department of Public Works, there is a Risk Management Division in the Law Department (featuring a staff of one), and the 1997 Charter established a Risk Management Council, which has apparently never met, nor issued reports, nor recommended or enacted any policy changes.

Further, and probably more damaging, it is apparent that no one is in charge of risk management; no one speaks with the authority and the voice of the Mayor in communicating with employees or departments regarding comprehensive, City-wide risk management policies and practices. Fortunately, this is readily and economically remedied.

Section 9-701 of the 1997 Charter established the Risk Management Council to be comprised of the Corporation Counsel, the Chief of Police, the Finance Director, the Human Resources Director, and the Auditor General, or their designees. The Council is Charter-mandated to make recommendations to the mayor concerning implementation of policies, programs and activities to minimize exposure of liability of the city to claims and damages.@

The Charter also states the Risk Management Council shall provide an annual report to the Mayor and the City Council on the effectiveness of risk management functions. In addition, at least once every two (2) years, the risk management council shall investigate the administration and effectiveness of risk management functions in each city agency and report findings and recommendations to the mayor and city council.@ The Charter concludes by stating that the City shall set aside sufficient appropriations to operate the Risk Management Council. (See 1997 Detroit City Charter, ' 9-702; emphasis added.)

Unfortunately, so far as this Office has been able to determine, the Risk Management Council was not activated under the previous administration, has not met once, nor issued any reports of which we are aware. Fortunately, this lack is swiftly remedied, given sufficient leadership and initiative, and it need not cost the City significant funding. In fact, it ought to more than pay for itself, ultimately, in reduced claims, fewer judgments, reduced damages, and fewer injuries.

**Problems in Risk Management & Complaint Resolution:
Lack of Adequate Communication Between Departments**

(Item: The Office of the Ombudsman has learned that the Public Lighting Department [PLD] does not notify the Police Department when it learns that a traffic signal is inoperative. A PLD staffer told this Office, we usually get the information from the Police Department when a signal is out.@However, we know that a good percentage of the traffic-signal outage reports go directly to PLD, without a first call to the Police Department. It seems obvious to us that a downed traffic signal, especially at a busy intersection, especially at rush hour, is a recipe for traffic accidents and claims against the City. It seems obvious to us that a phone call to the precinct or to Police headquarters is neither costly nor time-consuming. It seems obvious to us that PLD could better protect the City and its drivers if it made a simple modification to its practices and policies. Risk management training which emphasizes communication of necessary data between departments would have precluded such an imprudent omission.)

The Ombudsman's Office has noted in various reports and recommendations that improving and expanding communications between City departments will certainly provide for timelier resolution of certain complaints, as well as better protect the City against liability.

For example, the process to tear down vacant and dangerous buildings, hazardous and liability-ridden by definition, currently involves three separate City entities (and occasionally two others; see below): The Buildings & Safety Engineering Department (B&SE) does the initial inspection, notification to the owner, and administration of hearings. When the owner fails to show, or fails to remedy the structural problems, B&SE refers the structure to City Council, recommending a demolition. City Council must then hold a hearing, providing the owner with one more opportunity to appear and declare his or her intentions to repair the damaged building. If the owner fails to appear, or fails to timely repair the building, City Council orders the demolition, and the matter is referred to the Department of Public Works (DPW). DPW is responsible for securing all utility closings in writing, administering the letting of demolition contracts, and working with the contractors to ensure the building is demolished. (After the demolition, the responsibility for final inspection to verify the lot has been cleared and graded then reverts back to B&SE.)

The Office of the Ombudsman was pleased to note that the new administration is promising to streamline and consolidate the process within B&SE. While applauding the reform we observe that years of experience with B&SE has taught us that communications often break down even within B&SE divisions, so the point of increased and regular communications in the various offices remains. However, since the current process is said to take an average of nine to twelve months (but this Office is aware of buildings which took years to come down), the current system is rife with opportunities for people, particularly children, to be injured. Any reform which can condense this frustrating and lengthy process is a welcome one.

As it currently stands, too often the citizen complaining about a vacant and dangerous building is sent from department to department, and is often given different and sometimes contradictory information on the status of the building and the likely time of demolition. In the meantime, the property rots, is vandalized, is not maintained, and is an eyesore and hazard to the neighborhood.

Children find vacant houses irresistible, drug dealers may move in, and rodents and other vermin certainly move in. The building becomes a target for arsonists; the whole neighborhood can be put at risk because one dangerous building stands one day too long.

One of the current challenges in dealing with vacant and dangerous buildings is that the departments now involved in the process do not always share with each other the updated status of a building. For example, DPW may demolish a building which has been removed from the demolition list by B&SE, thus delaying another necessary demolition, wasting resources, and exposing the City to liability from a frustrated owner. This Office is aware of a case where the owner of a property convinced B&SE that he would rehabilitate the property (a practice the City rightly wants to encourage), and then began work on the

process of repairs. After some repairs were completed, and despite the fact that B&SE apparently did send an order removing the building from the demolition list, DPW contractors removed the structure. The complainant filed a claim against the City in 1999, and has still not been compensated. A simple phone call from B&SE to DPW may have prevented this snarled mess which could well result in costing the City several times more than the expense of the hearings, the correspondence, and the cost of the demolition itself.

Another complicating factor in dealing with vacant buildings is the fact that the City of Detroit owns a great many of them. The Planning & Development Department (P&DD) is then entered into the mix between B&SE and DPW, because P&DD administers the programs dealing with City-owned property. P&DD must attempt to work with B&SE for inspections, and DPW for demolitions. Citizens may call DPW or B&SE regarding City-owned debris-strewn lots or open and dangerous structures, but staff members of both departments apparently often refrain from explaining to the complainant that they must instead notify Planning & Development Department. Nor, apparently, do these B&SE & DPW staffers take it upon themselves to notify P&DD. The result too often is that, months later when the frustrated complainant turns to this Office, we must first explain the respective bureaucratic responsibilities to the complainant, and then process yet another complaint, this time to P&DD. Planning & Development Department then arranges to have their contractors board the structure, or to have DPW demolish a structurally-damaged building. The point again is lack of adequate communications, especially from B&SE and DPW to P&DD, which simply slows an already slow-motion process, and has the effect of leaving dangerous buildings accessible to intruders and children that much longer.

Yet another department involved in the protection of neighborhoods from the consequences of vacant and dangerous buildings is the Police Department. Charged with evicting squatters, for example, the Police Department properly will not evict squatters in the absence of a court order from the owner, or notification from P&DD that the property is City-owned and the tenants are there illegally. Yet, to our knowledge, P&DD has no system of regularly notifying the Police Department of which structures are the City-owned buildings within their precinct boundaries. We have been informed that P&DD provides a phone number to the Police Department so they may call P&DD to make inquiries about the ownership status of various properties. However, that system assumes, incorrectly, that every officer is provided the phone number and instructed when and how to use it, and then remembers to use it, and only has need of the information during regular business hours. A monthly print out, alphabetized by address and shared with every precinct would greatly assist the average police officer in timely checking whether or not a given parcel is City-owned. In this high-tech age of emails, faxes, and automated phone calls, it appears obvious to us that sharing such information would lead to better protection being afforded by the Police Department to City-owned properties and the neighborhoods in which they are situated.

Problems in Risk Management & Complaint Resolution: Public Safety

(Item: The Planning & Development Department has consistently added to its own burden of maintaining and administering the sale of City-owned properties due to its absurd policyBfostered by an incorrect interpretation of a Michigan statute by the Law Department under the previous administrationBwhich states that City-owned properties may not be sold by the City to City employees. Thus, properties were allowed to sit vacant, deteriorate, and become a public hazard and liability lightening-rod, due to this incorrect and short-sighted policy, and despite the fact that City employees constitute a large pool of potentially interested purchasers. Under pressure, the Planning & Development Department eased its heretofore rigid policy by permitting City employees to buy City-owned empty lots next door to their properties; however, this Office took a complaint as recently as last year from a City employee whose offer to purchase had proceeded all the way to City Council for approval before it was summarily pulled by P&DD. Their explanation to the complainant was that she was a City employee, a fact they had known from the beginning of the process, per documents shared with this Office by the City employee. Under an enlightened risk management system, this unnecessary and patently counter-productive policy would never have been implemented.)

Enhancing the City's public safety is one of its basic and irreducible responsibilities. The second sentence of the 1997 Detroit City Charter under the "Declaration of Rights" states: **"The city shall provide for the public peace, health, and safety of persons and property within its jurisdictional limits."** (Emphasis added.)

To that laudable and unavoidable end, the Charter established a Police Department, a Health Department, an Environmental Affairs Department, the Public Lighting Department, the Department of Water & Sewerage, the Department of Public Works, the Buildings & Safety Engineering Department, and many other departments whose charge under the Charter involves some vital aspect of maintaining the public safety and welfare of its citizens.

That a basic link exists between public safety, and the right of the citizens to expect that it be maintained, and the City's risk management and liability exposure is an undeniable truism. And yet, the City's record in maintaining the public safety and welfareBand thus reducing its liability exposureBis spotty at best, and tragically inexcusable at worst.

Thus, if the City does not provide the service up frontBwhether it consists of maintaining street lights or patching potholes or trimming trees or emphasizing professional police conduct, or repairing damage to private property from water

main breaksBthe citizens will suffer injuries and property damage, and the City=s financial status will suffer. The City must provide the public safety services timely, and pay for them once, or provide them late, and pay for them several times over in claims, judgments and settlements. (For a more detailed look at Public Safety for Pedestrians, please see the essay of that title, on page 65.)

(Item: To our knowledge, the Detroit Water & Sewerage Department (DWSD) takes an average of two to five years to repair damage to private property accidentally incurred while making repairs to water systemsBpipes, sewers, etc. During this delay, more property damage often occurs, more potential liability attaches, and more citizens are injured, damaged, or just plain enraged. We recognize that the infrastructure is old and deteriorated, and that the Department is struggling to keep it mended and functional; however, funds invested timely prevent additional funds paid out later in administrative, claims, and court costs. We are also aware of a complaint involving a damaged sidewalk, lawn, and driveway which took three years to repair, during which time a child was injured in a trip-and-fall accident. Unfortunately, that time delay is not uncommon in these types of complaints. The longer the repairs remain undone, the more likely a serious accident is to occur, and the more probable a claim or cause of action is filed against the City, thus vastly increasing the original repair costs.

The Water & Sewerage Department informed this Office that they are making efforts to expedite the lawn and concrete repair process, and that additional funds will be available to repair and maintain water mains and sewers in the new budget. Both these developments are welcome, but we question the continuing policy of DWSD allowing the restoration contractor to determine the order and priority of repairs. Too often, we are informed, homeowners with damaged property have waited years for repairs, in part because of the above practice.)

For one example of delayed complaint resolution increasing City liability, street light outages are a chronic problem for the citizens of the City. This complaint area has remained near the top of the Top Ten list of Ombudsman complaints from citizens for nearly all of the last ten years.

In the Top Ten section of this year-s report, PLD street light outage complaints rank number two. These complaints represent more than a doubling in the number of complaints to this Office over the previous year-s report, and every single complaint usually involves whole blocks of lights out, instead of just one. Per a report to City Council from a Police Department representative, there are over 300 street lights out in the Tenth Precinct alone. Ombudsman Office staff have heard complainants allege they were told by a PLD employee AWe have no bulbs, no circuits, no lines, no nothing,@ with which to repair or replace inoperable street lights.

Unfortunately, under the Mayor-s proposed budget for Fiscal Year 2002-03, street lighting maintenance positions have been reduced from 125 to 97. While acknowledging the City-s severe budget constraints, we find it a questionable use of priorities to further reduce street lighting maintenance positions, given the prevalence of street light outages.

Further, we have been informed that PLD staff has told complainants not to call this Office, nor anyone else-but PLD. If this allegation is true, it raises the question: Why impede the citizen from attempting to ameliorate a dangerous condition? As we have seen, darkened streets are associated with increased violent crimes, increased vandalism, increased vehicle accidents, increased break-ins, and probably increased trip-and-fall accidents on sidewalks. Citizens are understandably fearful when their street lights are out.

The choice the City makes every day is whether to repair or replace the inoperable street lights timely, or to wait until the City must bear not only the cost of repair and replacement, but also the cost of increased risk.

For another example of delayed complaint resolution and consequent increased risk of liability, City trees which drop branches, raise sidewalk flags, or which die and then fall, create increased liability for the City. Dropped branches go through property owners-roofs; raised sidewalk flags contribute to the pedestrian and bicycle accidents suffered every year in the City; dead trees come down on vehicles, houses, and, tragically, sometimes people.

Tree trimming and removal has moved to number three in this report-s Top Ten list of complaint-s, up from number five last year. Yet, the Recreation Department has suffered greater reduction to its operating funds than any other department in the City in the past few budgets under the previous administration. Tree trimming has gone from a schedule of every ten years to every fifteen years to every twenty years.

We fear this downward trend will continue, particularly since the Mayor-s 2002-03 proposed budget indicates that the Forestry Division, responsible for trimming and removing City trees, will lose both staff and funds. While broken down into districts in the budget, a quick addition shows a loss of 15 full time positions in Forestry district personnel, and a reduction of over half a million dollars in Forestry district budgets.

(Item: Recently, this Office was informed that a seven-year old girl was struck in the head by a falling tree limb on City property, which pinned her to the ground. The child was trapped under the tree while she lay unconscious. The tree was removed from the child by several neighbors after an E.M.S. unit did not respond. Eventually a 911 operator, after receiving several anguished calls about the accident, asked: 'Could someone there put the child in a car and rush her to a nearby hospital?' We have

been informed that the child will be brain-damaged for life. The complainant further stated that the trees on that street had not been trimmed in over 15 years. After receiving the complaint, the Recreation Department indicated they had no complaint on record about the trees on that block, but they will trim the trees within the next 90 days. The Fire Department, to their credit, indicated they would immediately provide fire dispatchers with additional sensitivity training and emergency medical dispatcher training. Further, they said they would initiate a policy which would mandate any Fire Department member with an emergency vehicle be removed from non-emergency assignments and dispatched to an emergency location. This Office asserts that an active and alert Risk Management System would have been able to effect these necessary policy changes before a tragedy ensued.)

Again we must observe: Remove the dead trees and branches now, or remove them later with the added cost of claims and judgments, not to mention citizens' heartbreak and tragedy.

Similarly, the training of Police officers must be updated and enhanced, and regularly repeated and reinforced, to provide our uniformed personnel the knowledge they need to truly protect the public. The court cases which generate headline judgments are usually Police Department cases. High-speed chases, professional demeanor, the proper times and circumstances to provide Miranda warnings, and the apparent tendency on the part of some officers to repeatedly engage in questionable shootings: All these issues and others involving negligent, risky or unprofessional police behavior must be addressed in order to protect both the citizens and the City from misguided, misinformed, and even dangerous officers.

Too often, inadequate training of police officers, coupled with improper or lax supervision and lack of discipline, create a situation where immature, improper, and even dangerous behavior in a young or rookie officer does not get addressed until a tragedy has occurred. At that point, the City may find that it is doubly liable, first to the plaintiff who is seeking redress for injuries and damages, and second to the officer who may file a cause of action against the City for (tardy) disciplinary measures. Too often, in these cases, the Law Department simply recommends a settlement, apparently finding it less expensive and less time-consuming than litigating.

As we noted in last year's budget analysis, the 1997 Bobb report emphasized over and over again the necessary emphasis on gathering, tracking, and analyzing data, and using that information to make necessary administrative and training reforms:

Introducing the 1997 Report, Bobb notes that Risk management must become a priority, (Bobb, page 4; emphasis added) and continues by noting that The [Police] Department should [gather data and] ... conduct meaningful trend analyses of officers' use of force for purposes of training and to identify potential risk among ...

officers in order to deal proactively and non-punitively at an early stage before serious harm to an officer, the Department, or a Detroit resident occurs.@ (Bobb, page 7; emphasis added.) In another recommendation, Bobb observed: AThe Department needs to develop and teach an enhanced curricula for force training, firearms training, ethics training, and in-service training.@ (Bobb, page 9; emphasis added.)

Once more the observation is inescapable: Invest sufficient funds in data-gathering, training, retraining, and updating and reinforcement, or suffer the added tragedy and expense of defending against and paying out costly settlements and judgments.

The Good News: Reform Is Possible, Even Inevitable

The City need not re-invent the wheel on implementing risk management reforms; it has been undertaken successfully by other municipalities. A case in point is Springdale, Arkansas, which has experienced extreme population growth within the last three years, but which has been able to significantly reduce its liability exposure with a five-phased program of prevention. While recognizing that significant differences in demographics exist between the cities of Detroit and Springdale, the overall message is the same regardless of population or geographic size: **Share the information; spot the trends; address the challenges; communicate at all levels of the bureaucracy.**

How Springdale Does It: A Five-Phased Preventative Program

As quoted in the American Bar Association publication of the Section of State and Local Government Law (Vol. 24. No. 2, Winter 2001), ABeing Proactive: Developing a Risk Management Program for Your City,@ by Jeff C. Harper, City Attorney: AMunicipal governments can take [a] ... proactive approach to reduce their liability exposure. Elected officials, municipal attorneys, department heads, and supervisors can work together to identify possible liability problems of the municipality and correct those problems before they lead to liability.@ (Emphasis added.)

City Attorney Harper describes a five-phase program which he alleges has significantly reduced Springdale=s liability burden, even after only three years in operation:

Phase One: The City of Springdale adopted policies related to risk management. AThe policies included a requirement that all city employees receive a safety orientation at the time they start employment, that the new employees receive a list of responsibilities concerning safety that they are required to know, and that the supervisor conducting the orientation be responsible for going over each of these areas of

responsibility. ... The city also adopted a policy which required each department head to designate a risk manager, and to meet annually with a representative of the Mayor's office, City Attorney's office, and the Personnel Officer to discuss risk management issues related to that department.@ **In this manner, Springdale employees up and down the hierarchy understand their responsibilities and roles; no one is kept out of the loop; and no one can argue ignorance of the central importance of safety, safe procedures, and preventative measures.**

Phase Two: AThe second phase of the program consists of the actual meetings between the department head, personnel officer, and representatives of both the City Attorney's and Mayor's offices... [where] the City Attorney's office presents a list of potential risks, which are discussed with the department head and evaluated. This evaluation has led to changes in procedures in various departments of the city...@In this way, information and mis-perceptions are identified and rectified before there is a crisis or tragedy.

Phase Three: Phase three involves training sessions. AThe City Attorney's office has provided training in such areas as sexual harassment, interviewing potential employees, and dealing with persons with disabilities. ... In addition, the City Attorney's office provides training for the Police Department in ... sexual harassment, ... use of force, search and seizure, pursuits, and other areas of potential liability.@ Recurring updates on liability exposure creates a continuing awareness and provides an opportunity to both educate and re-enforce risk prevention measures.

Phase Four: Phase four is a continuation of training, updates, and education via the printed word. AThe City Attorney's office has developed two publications to better communicate with elected officials, department heads, supervisors, and police officers about liability.@ One publication is distributed to all law enforcement personnel of the city and addresses liability issues of police officers and updates them on the latest cases which have liability implications. The other publication, published semi-annually, is addressed to city officials as well as department heads and supervisors and Aincludes updates on the latest federal and state cases affecting city liability...@ This is another means of educating, re-enforcing and reminding city employees and officials of the continuing importance and relevance of risk

management.

Phase Five: This phase establishes a safety committee within the city. AThe committee is made up of various city departmental representatives who meet periodically to discuss safety issues.@

The Office of the Ombudsman finds this simple system to be relatively straight-forward, rational, mission-focused, and readily implemented. It has the benefit of early and repeated training, of timely, task-oriented and helpful updates, and of regular communications. It avoids putting all the onus on low-level city employees and spreads the responsibility up and down as well as laterally; it works throughout the bureaucratic structure. It makes sense as well as saves cents. It is do-able.

How Detroit Could Do It: (1) Leadership

First, the City needs someone who is designated by the Mayor to be his chief Risk Management Officer. That person-s responsibilities would include convening the Risk Management Council, working closely with the Law Department-s Risk Management Attorney, and regularly reporting back to the Mayor the City-s progress, or lack thereof regarding risk management issues.

The Risk Management Council, in keeping with its Charter mandate, would gather data, formulate, propose, and implement policy based on recommendations from the other members of the Council, from all other department heads, and from the Law Department. Pursuant to the Charter, the Risk Management Council would issue periodic formal reports to the Mayor and City Council. And the Risk Management Council need not be costly; an executive-level support person could keep records of the meetings, the policies, the files, and the correspondence.

The Risk Management Council should have the responsibility, working with the Human Resources Department, to oversee and implement the training, re-training, and continuing risk management education of department heads, supervisors, and police officers, working in close conjunction with the Risk Management Attorney. Per the Springdale experience, beginning and continuing education and updates are the keys to enlisting and enabling the cooperation and understanding of all city employees. **A risk-management awareness culture must be fostered and nurtured among the City-s departments, divisions, administrators, and employees. Unnecessary exposure to liability should be on everyone-s mind.**

(2) The Law Department

The Law Department must be empowered to invest sufficient resources in reforming how it addresses risk management issues. It is our understanding that, under the leadership of the new Corporation Counsel, the Litigation Division is undergoing an entire restructuring and re-examination of its policies and stratagems. The Office of the Ombudsman applauds this move, because it is obvious that under previous leadership, the Law Department appeared unable to achieve any measurable or significant progress in handling litigation successfully.

In addition, we are hopeful that the Risk Management Division, with its staff of one, will at the least be granted the minimum resources necessary to adequately track, address, monitor, and make recommendations to the Risk Management Council regarding risk management systems and prevention of liability. Optimally, the Risk Management attorney would have sufficient support staff and access to an effective and user-friendly data tracking program which tracks both litigation issues and preventative measures. With this data in hand, the Risk Management Council, department heads, and supervisors would have access to the information necessary to formulate stratagems, and make changes and amendments to policies. With information comes power; with power comes change.

(3) Pooling Resources; Sharing Data

Speaking of tracking data, it should be obvious, especially after the findings of the 1997 Bobb Report, that information and follow-up are the keys to understanding and addressing the root causes of liability. (In the same sense that the atrocious attack on the World Trade Center taught security experts a lesson they had not previously considered, costly litigation suffered by other public sector entities can teach those who are aware of the lessons how to avoid future exposure to liability.) Awareness breeds caution, and caution prevents unnecessary exposure.

That information, which can be easily tracked in the appropriate software, should not only be shared within the City; it can and should be shared nationally. And, conversely, national data should be available to Detroit government, so that we can learn from others' mistakes. Gathering information, sharing information, and learning, then communicating the lessons learned and reinforcing those lessons: These are the required keys to risk management.

To that end, the Office of the Ombudsman, when researching risk management via the Internet, discovered the Public Risk Database Project (PRDP, at <http://www.prdp.org>). This Project, available quickly and electronically, works with cities and counties across the nation by creating national codes and sub-codes for liability claim information. Their website, easily surfed even by the most electronically-challenged, declares:

PRDP is a nonprofit corporation created to collect, compile, and disseminate liability and workers' compensation loss and other information for state and

local governments and risk pools. The organization's primary objective is to

create a national database (PRDP's Data Exchange) that will help public officials improve the performance of their risk programs, make better policy decisions and control risk financing losses. ...

Unlike traditional claim databases that produce transaction summaries, the Data Exchange provides comparisons, benchmarks, trends, and graphic presentations. Data Exchange reports display national, regional and state views of information and can sort information by different types of entities. ...

PRDP's Data Exchange will be populated with claim information contributed by data suppliers that will permit users to:

1. access predefined standard reports,
2. generate customized reports,
3. generate ad hoc reports,
4. display information in various formats using graphical tools,
5. compare their metrics with industry-wide benchmark metrics,
6. copy and paste reports into other documents and link to other systems and programs
7. make more informed decisions, and
8. save time and resources.@

If information empowers change, nationally-gathered and sorted information from other similarly situated public sector entities should be even more powerful. Thus, the Risk Management Council, as well as the Risk Management Division of the Law Department, should have access to the Public Risk Data Base Project. The low cost to subscribe would be an investment in the City's future fiscal health.

(4) Prioritize Complaint Resolution and Create Risk Management Policies on the Basis of Information, and to Limit High Risk Exposure

The Office of the Ombudsman recognizes that a chronic lack of adequate resources often limits City departments' abilities to respond to citizens' complaints as timely or effectively as the directors and their staffs would wish. Despite this truism, other cities in the industrial rust-belt have had their share of fiscal frustrations, but they have managed to overhaul obsolete systems, reform inefficient and ineffective practices, and educate, retrain, and redirect their public sector employees. Detroit can too.

Given the appropriate leadership, mandates, and information from the Risk Management Council, department heads and supervisors would be able to identify and correct certain

internal policies, practices or omissions which had previously increased the City's liability exposure. Data from the Litigation and Risk Management Divisions of the Law Department would be timely available and user-friendly so that trends and patterns can be spotted and addressed before the City suffers more severe losses due to claims and litigation. More significantly, City leaders will have the data, both local and national, to support their re-ordering of priorities so that City personnel and contractors are assigned to the most hazardous or litigation-prone areas first. Employee training and constant updates and reminders will keep the issue of risk management fresh on everybody's minds and first in their priorities.

The City's coffers, its overworked administrators, supervisors, and employees, and its long-suffering citizens will benefit immeasurably from these and the other low-cost, readily accessible, and reasonable changes detailed above. The Office of the Ombudsman is pleased to anticipate that the leadership, foresight, and tenacity now exists to implement these reforms.

DEALING WITH THE PUBLIC:

CITIZENS RENDERING CITY PAYMENTS DESERVE SIMPLE ASSISTANCE, SIMPLE COURTESIES

Recent studies released by the media indicate that Americans believe people are getting ruder, more abrasive, less thoughtful of others= welfare. Some City employees, like the general public, are apparently not immune to these trends. The Office of the Ombudsman might be able to fund its entire annual office budget if we could collect a dollar for every time we took a complaint that involved employee impatience and rudeness, or an apparent inability to transmit simple and helpful information simply and helpfully. These kinds of complaints are usually preventable, and they take up scarce employee time which could be better used to assist citizens properly the first time, thus freeing up time to help others as well.

As usual, however, it is not sufficient nor even productive to simply blame City employees, as has been done so freely lately. City employees need training, they need support, they need administrative direction and leadership, and they need sufficient resources to properly do the job, including in some cases more City employees. For the past several years, such support and resources have been sorely lacking.

Of course, citizens seeking information and assistance from the City do not, and should not be expected to, always understand this lack of resources. They expect and deserve service: timely, courteous and efficient service. Such service is in danger of becoming a rarity in City government. All departments who have to deal with the public apparently have this problem, but some offices, particularly those engaged in billings processes, seem to be more in need of serious attention and reform than others.

The Detroit Water & Sewerage Department, especially its billing operations, and the Finance Department, especially its billings operations through the Assessments and Treasury Divisions, seem to us to generate more than their share of billings complaints. Fortunately, it appears to us that both departments are acutely aware of the problems, and may be moving to finally address them. This Office finds, however, that additional remedial steps should be implemented.

DETROIT WATER & SEWERAGE DEPARTMENT (DWSD): Communications with Bill Payers Need Improvement

Problems with water bills seem to have proliferated in numbers and intensity in the past several months. That is, we are too often told that DWSD staffers in the residential billings office of the Commercial Division are rude, angry, abrupt, and impatient. To be sure, the Office of the Ombudsman well recognizes two facts of work life in the public sector: (1) There are wonderful exceptions to any unfortunate generalities about the quality of a work force, including in the above office. (2) Complainants can perceive a negative or hostile impression where none exists when being given unwelcome or difficult information, especially concerning their financial obligations.

Nevertheless, the Office of the Ombudsman, which works diligently to remain sympathetic and helpful regardless of how difficult the complainant is, knows that other offices can do the same. As for the wonderful staff exceptions which can be found in any public office, their good example can be used by wise supervisors to assist in short-term training on assisting people in a respectful, helpful, and kindly manner. Good manners can be contagious, and when courteous behavior is recognized and openly praised, others soon learn the lesson.

Problems with Erratic DWSD Billings, Outside Reading Devices (ORD=s), Communications with Staff

The Office of the Ombudsman has noted an increase in complaints having to do with erratic water billings. The billings may remain in the same general amounts for a period of months or years, then suddenly and unaccountably increase for one billing quarter, then return to approximately the original amount. No obvious explanation seems to fit: No house guests, no increase in the family, no plumbing leaks, etc. Or, the billings may suddenly be increased triple- or quadruple-fold, often with no satisfactory explanation. Or, a pattern of inaccurate readings leads to a meter replacement with a subsequent billing of hundreds of dollars.

It appears that inaccurate readings from Outside Reading Devices (ORD=s) are causing many problems for residential Detroit customers. ORD=s were originally installed because, with so many customers away from the house or fearing to answer the door, meter readers were having increasing difficulty gaining access to the inside of a customer=s home. Never intended to be the primary Aregistration device,@ that is, the device which actually measures water usage, the ORD simply receives a signal from the inside meter and translates that signal into codes which can be visually read by crews from the outside of the house, and punched into a log.

Unfortunately, over time, the signal from the meter to the ORD degrades, becomes more and more inaccurate, and eventually stops. After a period of time, sometimes involving several billing quarters, an accurate reading from the inside meter is obtained, and

customers are often horrified to realize that the inaccurate ORD-s have miscalculated the readings by several hundred units, which translates into water bills in the hundreds of

dollars. Installations of new inside meters can also result in hugely increased bills, for the same reason: the ORD has been misreading the signal from the old meter, which is not discovered until the old meter is removed and a final inside meter reading taken.

The ORD-s currently in use in the City are now about 20 years old. As they become inoperable, they are gradually being replaced by new meter reading devices, called AMR-s (Automated Meter Reading). These devices utilize new technology, with more accurate electronic unit receivers, not subject to human error because the meter reader is not punching in a visual read. Also, ORD-s get their signals via two electric wires that can become frayed or otherwise damaged. As they age, they only pick up a portion of the signals from the inside meter. The new AMR-s do not rely on electric signals sent through wires; rather, they read electronically transmitted data automatically. All the meter reader has to do is push a button, and the data is accurately downloaded in its entirety.

A new meter contract to install AMR-s has been held up recently, because of complications with the previous vendor and the previous RFP (Request For Proposal). The department is revisiting writing a new RFP, and, when completed, the new vendor will begin again to replace the aging ORD-s with new AMR-s. The Office of the Ombudsman has learned it will take approximately three to five years to entirely replace the old ORD-s with the improved AMR-s.

Another aspect of the problem with increasingly inaccurate ORD-s is the fact that the customers often do not understand the effect the failing ORD-s have on their billings and the related necessity for regular inside meter readings. Lack of such readings can mean that an inaccurate ORD continues for months or years to provide insufficient data regarding real water usage. When finally detected and remedied by an inside reading, the resultant corrected billing can be and often is astronomical.

The Office of the Ombudsman recommends improved communications between DWSD and their customers, because understanding is the key to gaining customer cooperation and preventing such wide-spread financial distress. This improved communication should come from at least three sources: The customer service representatives, who must explain to frightened or angry customers the reasons for their erratic or enormous bills, are the primary source for helpful and clear communications regarding the ORD-s. In addition, the department is considering public service announcements and making use of cable Channel 10, which we believe to be a good idea. Finally and especially, the billings can and should provide more complete and more helpful information on their quarterly-mailed forms.

As currently formatted, the billings received by DWSD customers show and explain estimated billings and Ameter-read@ billings, but do not explain that most Ameter-read@ billings are the result of readings off of ORD-s, not inside meters. But, as we have seen, these billings may well be inaccurate as the signal degrades. The customer should be encouraged by a notice on the billings, or by inserts in the billings, to provide the more accurate information directly from the inside meter, and should be warned that relying on the inaccurate ORD can lead to corrected water bills several times over the usual amounts billed from ORD readings. In addition, the distinction between Aestimated billings,@ORD readings, and inside meter readings should be fully spelled out in the insert. Clear information alone does not entirely remedy this unfortunate situation, but the customers are owed at least these simple measures.

DWSD, in addition to replacing aging technology, and improving its billings communications with customers, also needs to be addressing the need for improved staffing. DWSD staff in the Commercial Division are often the target of customer complaints to the Ombudsman-s Office; rude, abrupt, and impatient behavior are the allegations we hear most often. We recognize that customers themselves often get heated when presented with hugely increased water bills, and that such behavior can lead to an escalating cycle of hostility between the customer and the customer representative.

Nonetheless, we believe that there are steps the department can and should take to improve the tone and tenor of the treatment customers are given when they call the Commercial Division with complaints about their water bills. Increased staffing, staff training and reorganization, and new customer billing software should help to alleviate the situation. Fortunately, those steps have already been considered by the Commercial Division. We believe that some steps may be implemented in the near future, given sufficient administrative leadership and sufficient funding.

**DWSD Customer Representatives:
Increased Staffing
Staff Training & Reorganization
New Customer Billing Software**

STAFFING LEVELS: The Office of the Ombudsman has learned that the Commercial DivisionBthe Division responsible for customer billingsBis grossly understaffed. According to a high-level supervisor in the Division, they are fifty people short of the staffing positions they normally require for the whole Division. In the office dealing with the 270,000 active Detroit accounts, there are 17 customer representative positions allocated, and only five persons working.

In attempting to work with Human Resources Department to fill the allocated positions, the Commercial Division administrators have been informed that City employees do not want to work in the Commercial Division, but when new employees do arrive, they bring tales of

being discouraged from working there by Human Resources Department representatives.

(To be fair, it is widely acknowledged that the Commercial Division of DWSD is, appropriately, a strictly-run division, with strong attendance rules, firm time-based requirements, and an expectation of accurate, detailed, high quality work. As the revenue-producing arm of the department, and considering the sensitive nature of their responsibilities, these strictures are understandable.)

Chronic staff shortages mean reduced levels of service, with associated overwork, stress, and fatigue on the part of the few staff members attempting to deal with a high level of inquiries and complaints. Apparently, the Division experiences a 50 percent abandonment rate, that is, the callers hang up before the call is taken. If more than 20 callers are on hold at any time, the 21st and subsequent callers hear the annoying buzz of a busy signal. Given the serious under-staffing within the Division, it is not infrequent for 20 callers to be on hold at any given time, waiting for a chance to talk to one of five staffers (assuming no one is on vacation or home ill). Increased staffing seems to this Office to be imperative, and should be given highest departmental priority. Economizing on staffing levels in the revenue-producing arm of the department appears to this Office to be counter-productive.

STAFF REORGANIZATION: The Commercial Division has been attempting to address some of these problems. Staff reorganization is being implemented; positions are being reconfigured so that persons working in the division are now known as customer service representatives, and not simply clerks. Thus, new people applying for the position will understand better the specialized nature of the task, and it is hoped that employees who are more people-oriented will be attracted to the job. With the addition of new employees, presumably eager to work diligently at a demanding job, some of the stress for the existing employees and supervisors, not to mention the frustrated customers, should be relieved.

STAFF TRAINING: Staff training and retraining are essential components of addressing customer satisfaction. At one time, administrators could conduct training sessions on Saturdays, but the cost of paying overtime may delay new training programs. (Saturday training sessions are required so that no employee is away from the job during business hours.) New hires on six-months probation were required to attend six weeks worth of training. It is unclear as of this writing whether sufficient funds exist to approve more Saturday overtime for the new Commercial Division employees, but it is clear to this Office that such training is a necessity to a well-run division.

For example we have learned that, until properly trained with the aid of a tape recorder so that new employees can hear themselves, most persons are not aware of how their voice sounds on a telephone. With training and equipment, new employees can learn to modulate their voice pitch and tone to one which is calming and reassuring to upset

customers. In addition, they can learn techniques for demonstrating creative listening, patience, and compassion, as well as techniques for carefully and courteously explaining hard facts, facts which may be difficult for the unhappy customer to understand or accept.

NEW SOFTWARE: One promising component in reforming the Commercial Division is the purchase and implementation of new customer billing software. This Office has been informed that the present software was purchased and installed in 1979. As such, it has been technologically obsolete and therefore inconvenient, awkward, and time-consuming to use for approximately fifteen years. Apparently, as far back as 1987 a Request for Proposal went out for a new software program, but the new purchase was only recently approved and completed. The new system will be installed and implemented over the next 14 to 16 months. This system is expected to be an improved, user-friendly, streamlined and data-rich program for the use of customer service representatives. We applaud this long-delayed but essential upgrade.

We were pleased to note that the Mayor's proposed budget for Fiscal Year 2002-03 calls for a small increase in staff positions for handling customer billing issues. Coupled with new meter-reading devices, new software, staff reorganization, and improved staff training, these improvements should translate into better customer service. It seems clear to this Office that investing in the one revenue-producing division of DWSD enables the department to then invest in the rest of the essential departmental programs and upgrades. The challenge will be to maintain the improvements, and to prevent them from being stalled by short-sighted cuts which ultimately cost the department even more in the long run.

Hearing Officers

The Office of the Ombudsman has learned that two new hearing officers have been hired. This is a significant development because when dissatisfied customers cannot resolve disputes with customer service representatives, they may file an appeal for a hearing before a hearing officer. For approximately six months, DWSD had no hearing officers, and customers could not get their billing disputes resolved; we estimate it may take two to three months for the two new hearing officers to catch up with the backlog of appeals.

The source of the difficulty was apparently a dispute between the past hearing officer and some members of the department's Board of Directors who were said to be dissatisfied with some of the hearing officer's decisions. If this is so, then it may be appropriate to consider amending the appeals system so that a hearing officer is encouraged to render independent and objective decisions, not subject to potential pressure from the Board of Directors. Customers will not have respect for an appeals process rendered by someone fearing for his or her job if his or her decision displeases the Board.

The Office of the Ombudsman proposes that the terms of the hearing officer's position be rewritten to encourage and foster an independent appeals system, for example, a non-renewable term for ten years, removable only for cause by a two-thirds vote of the Board of Directors. Such structural independence would allow for the occasional unpopular decision without putting the hearing officers in jeopardy of losing their positions. We believe that customers have the right to expect a genuinely independent and objective appeals process.

From problems with the billings office of the Water & Sewerage Department, to the travails of the billings unit in the Property Tax office in the Finance Department's Treasury and Assessments Divisions, the severity and challenges of the problems are similar, as is the frustration, anger and fear from the paying customers. The remedies are nearly identical, and, as with DWSD, are on the horizon.

DETROIT FINANCE DEPARTMENT, ASSESSMENTS AND TREASURY DIVISIONS:
Communications with Property Tax Payers Need Improvement B
Relief May Be in Sight

In the past two years, the Office of the Ombudsman has been dismayed to note a significant increase in complaints related to the payment of property tax bills. Taxpayers, many of them distraught seniors, have been bringing to this Office copies of their property tax bills which have been abruptly increased, sometimes by several hundred dollars, apparently without prior notice. The roots of the problem are myriad: Mistaken changes in the taxpayer's status, or tardy posting of payments, or lack of information about credits and overpayments can all add up to a frustrating, even frightening experience for taxpayers who are doing their best to meet their responsibilities as property owners.

Public Act 415, As Amended:
Incorrect Increases in Property Taxes Multiply

Problems with property tax billings stem in large part from the Headly Amendment, as amended by Proposal A, passed in 1994 and codified in the statutes as MCL 211, 27A, Public Act 415. Passed in a time of booming real estate markets, the intent behind the Act was presumably a generous one, providing property tax relief for those property owners, many on fixed incomes, whose properties were rapidly increasing in value, far outstripping their ability to pay.

The effect of Public Act 415, as amended, was to cap residential property taxes so that they may only be increased annually at the rate of inflation, or five percent of the assessment, whichever is greater. However, when the property is sold, the property is reassessed and the taxes increased accordingly. The taxes are then capped again at the new level, subject to the same restrictions in increase. The new cap remains until the property is sold again, at which point the process repeats itself at the new level. This new system of calculating property taxes has indeed assisted seniors and other low-income property owners to be able to continue owning their property without being forced by ever-increasing property taxes to sell their homes.

However, implementing the amendments to Public Act 415 has proved disastrous for the City of Detroit Assessments and Treasurer's Divisions, and for Detroit property owners whose property taxes are uncapped improperly. Proposal A's terms are triggered by a property conveyance to entirely new owners, not for other transactions and amendments to a deed. Despite this intent, because of incomplete

and inaccurate information posted by the Detroit system, many other types of status changes on a piece of real estate will improperly lift the caps, resulting in huge and abrupt increases in taxes. Innocent and compliant property tax payers are then told they have 30 days to come up with a substantial amount of money to cover this unanticipated increase, or suffer the additional charges of penalty and interest.

The status changes in property which can incorrectly lift the cap may include those often encountered by seniors, as well as by many other unsuspecting property owners: Quit-claim deeds to add a family member, removing a deceased spouse from a deed, home improvement loans, mechanic's liens, second mortgages, land contract completions, refinancing a mortgage, etc. Clearly, none of these changes involve a sale and conveyance to another party; however, all may and do trigger the removal of the cap and the subsequent abrupt and alarming increase in taxes. This happens when the Wayne County Register of Deeds receives record of a given transaction, status change, or encumbrance on a deed. Upon completion and filing of the paperwork, the information is transferred to magnetic tape and delivered to the Assessor's Division.

However, the information as received from Wayne County by the Detroit Assessor's office does not distinguish, in a manner that can be read by the Detroit system, between the different types of status changes. Therefore, all such amendments and transactions are recorded by the City's system as sales, and trigger the lifting of the cap. Thus, property tax payers, through no fault of their own, are notified incorrectly that their assessment is raised, and the taxes increased accordingly, often by hundreds or even thousands of dollars.

To further confuse the taxpayer, the notices go out approximately one to two years after the change in status which triggered the improper notice in the first place. Then, approximately two to three months after the notice sent by the Assessment's Division (which was itself delayed by a year or two), the hapless taxpayer receives a new billing from the Treasurer's Division, often showing interest and penalty fees accruing. Further, they are provided precious little time or assistance, in the text of either the notice or the new billing, to discover the nature of the problem, and to correct it. The letter from the Assessments Division sets a deadline of 35 days from the date of the notice, and the property tax bill from the Treasurer's Division provides a deadline of 30 days from the postmark of the billing before additional interest and penalty begin accruing.

Corrections and Complications

The City's mechanism for fixing these improperly assessed tax increases is even more difficult for the average property tax payer to navigate and understand. If a property tax payer does recognize or suspect a mistake, and if they come downtown to protest, and if they are properly instructed, and if the uncapping took place the previous year, the Assessor's Office prepares a Stipulation with the tax payer's complaints and assertions,

which must go to the City's Board of Review for approval. The Board of Review meets on these issues twice a year, in July and December. Once approved, the records are changed and the whole long and complex process of correction is initiated.

However, because there is often a lag time of up to two years after a property status change before the Assessor's Office sends the notice, the process changes. A status change which occurred more than one year previous to the receipt of the notice requires the taxpayer to appeal in writing to the State Tax Tribunal. If the taxpayer should decide to come downtown, the Assessments Division will assist the taxpayer to prepare a Stipulation which is sent to the Tax Tribunal, but the notice does not so state. Thus, frustrated, frightened and confused taxpayers often feel they are left with nowhere to turn for assistance.

Upon approval, the State Tax Tribunal notifies the City that the property tax cap was improperly lifted, and the City must then take corrective measures. The whole process of appeal can take up to a year or more before the record is corrected and the property tax increases reset to the old level. During this time, the property tax payer continues to receive disturbing billings, and interest and penalty fees continue to accrue. (However, the interest and penalty fees are abated once the correction is made.)

Other complications ensue as well. For example, the State Education Tax is taken as a percentage of the total property tax paid by an individual property owner, and forwarded by the City to Wayne County. Therefore, if the property tax amount was incorrectly determined based on an improper lifting of the cap, the City then forwards an incorrect amount to Wayne County, usually an overage. Once the stipulation/correction is processed and approved by the State Tax Tribunal or the City's Board of Review, the City must then seek to receive the overage back from Wayne County. Other levies are affected as well. There may be as many as seven levies collected by the City, the amounts of which may be incorrect because they stem from an incorrect assessment and tax increase.

In addition, homestead property tax credits are affected by improperly lifted caps and the resulting incorrect tax bills, as well as Michigan income taxes, since the credit is based on a formula which includes the total property taxes paid by a homeowner in a given tax year. Further, the homestead designation of a property is removed when a property is sold, with an increased tax rate applied. Thus, the City is put in the position of manually correcting several funds and levies for each property tax payer affected by an improper lifting of the cap, and the property tax payer so affected must deal also with an escalating list of resulting complications.

Last year, the City processed 15,000 property tax increases. Of that number, a significant percentage are likely to be improper increases stemming from improper applications of Proposition A. For each improper increase, the reader is invited to

contemplate the amount of staff hours in both the Assessor-s Division and the Treasurer-s Division which must be utilized to correct the mushrooming effects of the original mistake. All these person-hours devoted to property tax adjustments are of course to the detriment of essential work they could otherwise be accomplishing.

Other Property Tax Billing Concerns

Property tax caps, and their improper removal, are not the only problems associated with property tax billings. Late postings of property tax payments and lack of proper and clear notification of property tax refunds and credits are also significant problems facing frustrated property tax payers.

LATE POSTINGS OF PROPERTY TAX PAYMENTS: The City can be several months behind in posting property tax payments at any given time. This lag time results in property tax payers being sent incorrect billings, showing incorrect penalties and interest. In addition, Wayne County may be mistakenly notified that no payment has been received, and forfeiture proceedings may ensue. Late postings stem in part from mortgage company and banking errors; when mortgage companies hold mortgages on several pieces of property within the City, they often send over the payments in the form of magnetic tape, each of which may carry payments for dozens if not hundreds of parcels. Unfortunately, the payment amounts are often incorrect, and the City must then detect the mistakes and manually process the information, as well as prepare corrected bills and communicate with the mortgage institutions. Similarly, banks accept property tax payments and process high numbers of them to the City of Detroit. These records, too, can be incorrect, and the revision process just as time-consuming. Since the Finance Department has determined it will not simply return the records to the erring financial institutions, the department should insure that sufficient staffing levels exist to timely and efficiently correct the errors and post the payments.

PROPERTY TAX REFUNDS AND CREDITS: Two years ago, the Office of the Ombudsman reported on an emerging problem, one of apparently huge proportions: The City was holding in excess of \$20,000,000 of property tax refunds and credits, and doing little to notify the taxpayers or inform them of the procedures necessary to receive the refunds or credits. Property tax bills were unclear regarding the credits and refunds, and no instructions were included as to how to apply for the refunds or credits. Further, refunds and credits which are discovered and applied for now take six to eight months to process; they used to take six to eight weeks.

To our knowledge, the situation has not improved. The Treasurer still does not adequately and unambiguously notify property tax owners when they have a credit or refund in property taxes, and there are no instructions included as to how to apply for the credit, or refund. The credit is not automatically subtracted from the amount showing on the balance line of the property tax bill. Credits from previous

overpayments are not applied to an improperly processed increase due to improper cap lifting.

Thus, a quick scan of the bill will often cause property tax payers to pay the City the bottom line of the property tax bill, and to ignore all the inscrutable figures and descriptions which appear in the body of the billing. These unclaimed funds accrue, and the City receives the benefit in interest paid on the account.

But, the funds are properly the property of property tax payers, who could be earning their own interest. The Office of the Ombudsman strongly recommends that City taxpayers be notified, in clear and unambiguous language, of the existence of a credit and the possibility of a refund, coupled with application instructions. A proper notice would be simple to prepare and relatively easy to include in property tax bills.

**Improvements on the Horizon:
New Assessments Software, Newly Trained Staff**

Of course, staffers in the Property Tax Office of the Treasurer's Division, and the Assessments Division, are well aware of their problems, and are moving to improve the situation. Improvements include a new assessments software system, now being installed, with all assessment data being converted to take advantage of the new system. The new software system will recognize and properly record all the non-sales status changes in property (which had heretofore been mistakenly recorded as sales conveyances), such as re-financing, home improvement loans, removing a deceased spouse from the deed, land contract completions, etc. We are informed that commercial and industrial properties will be input first, followed by residential properties which constitute the vast majority of parcels in the City. It is anticipated that the process of conversion to the new system may take up to a year to accomplish.

In addition, the Assessor's Division has a team of staffers who are being trained to do intake at Wayne County, when property transactions such as mortgages, liens, land contract completions, etc., are filed with the Register of Deeds office. In this manner, Wayne County data will be properly coded to be read by Detroit's software. Thus, more accurate property tax information will be processed, and fewer mistakes will result in fewer property tax caps being lifted. The cascading effects of fewer records to correct will result in more staff time being available to do other essential tasks. The Office of the Ombudsman applauds the Assessor's Division for these long overdue but welcome improvements.

**Additional Reforms Needed:
Ombudsman Recommendations**

Certainly, staff retraining and temporary assignments to Wayne County's Register of

Deeds office, coupled with a new assessments software system are welcome and essential improvements.

However, they are not sufficient of themselves to address the property tax billings problems in their entirety. The Office of the Ombudsman finds that several other steps can and should be implemented to assist frustrated property tax payers and overworked Property Tax Office staff in the Treasurer-s Division and in the Assessor-s Office. These steps, like those necessary for the Water Department, include improved notice and taxpayer communications, increased staffing, improving employee morale and training, and new property tax software.

IMPROVED NOTICE AND TAXPAYER COMMUNICATIONS: Currently, when property tax caps are lifted, the Assessor-s Office utilizes a notice to alert the property tax payer that a change in status is occurring, and taxes will be increased accordingly. Unfortunately, these notices are not taxpayer-friendly nor easily understandable by many property owners. Written in legalese, the first notice, sent by the Assessor-s Office, states:

The City of Detroit, Assessments Division has recently processed your 2000 transfer of ownership (sale of property).

In accordance with Public Act 415 of 1994, upon the transfer of ownership the taxable value of the property involved will become the state equalized value (SEV) for the calendar year following the transfer.

Public Act 415 of 1994 further states that **the buyer, grantee, or other transferee** of the property shall notify the appropriate assessing office in the local unit of government in which the property is located of the transfer of ownership of the property **within 45 days of the transfer of ownership on a form prescribed by the State Tax Commission@. If you have not completed the enclosed >Property Transfer Affidavit= and either mailed or faxed (313-224-4270) it to our office, do so now. The information you provide will determine whether your taxes will increase.**

Based on the information received, so far, in regards to your transfer of ownership, the following items will be **increased**:

2001 State Equalized Value (SEV) is:	\$	[amount]
Revised 2001 Taxable Value is:	\$	[amount]
Adjusted 2001 City & School Taxes are:	\$	[amount]

You will receive adjusted tax billings from the City Treasurer's office for the City & School taxes and the Wayne County Treasurer's office for the County taxes.

If further information is needed in regards to your transfer of ownership **or** if you believe this transaction is not a transfer, please call:
[phone numbers]

Please be advised that you have **thirty-five (35) days** from the date of this notice to formally protest any objections you have regarding the assessment and/or taxable value, as shown above, to the Michigan Tax Tribunal.

To appeal, you must state your objections in writing and address your appeal to the Michigan Tax Tribunal, [address].

Please observe that the first half of the letter is likely to be unclear to many taxpayers, especially coming two or more years after whatever transaction they engaged in which triggered the notice in the first place. As we have seen, it may have been a simple loan transaction, or removing a deceased spouse from the deed, or completion of a land contract, etc. In other words, the transaction or status change lifting the cap, which took place months or years prior the receiving the notice, may have had little or no relationship to the ~~A~~transfer of ownership@referred to in the notice, further confusing the already befuddled taxpayer. Further, the letter is not entirely clear that assistance is available from the Assessor's Office to file an appeal, nor that the ~~A~~transfer of ownership@may not have taken place at all.

The Office of the Ombudsman recommends that the notice be rewritten to include information which states in the first sentence that there ~~A~~may have been@a sale or transfer of ownership, according to their records. Further, the letter should state the correct procedures to take if no such sale has occurred, along with phone numbers for assistance. The letter may then go on to explain to those who did actually convey their property to another party the necessary information they need to know regarding the increases in equalized value, taxable value, and property taxes, etc. Innocent and non-selling taxpayers deserve better treatment and clearer information from the Assessor's office.

Similarly, property tax billings from the Treasurer's Office can be clearer as well. Currently, the new (incorrect) billings, which arrive two to three months after the Assessor's ambiguous and confusing notice, includes a slip of paper which states the following:

The enclosed tax bill/bills reflects taxes increased by the Assessor's December Board of Review.

If the increases are paid within 30 days from the postmark date on the envelope, they can be paid without interest and penalty. However, if

your taxes are not paid timely, interest and penalty is reflected in the tax bill.

Please be sure to return your payment in the enclosed envelope to insure timely posting of your tax payment.

Again, there is no notice in the insert to the taxpayer being improperly billed that there may have been a mistake in computing increased taxes, and the mechanism for correcting that mistake. The Office of the Ombudsman recommends that the insert be amended to read: Alf you believe the Assessor-s Office has increased your taxes in error, you may contact them at [list number and address].@ Taxpayers deserve to be notified that errors can occur, and to understand the mechanism to utilize in the event of a mistake.

INCREASED STAFFING, IMPROVED TRAINING AND MORALE: Staffers behind the Property Tax counter, who are often overworked and placed in stressful work situations by actions and omissions not of their making, can be encouraged in a supportive manner to be more patient with and respectful of taxpayers. Particularly, those taxpayers who want to fulfill their responsibilities, but who are confused and fearful or perhaps agitated and frustrated, could be treated with greater understanding and clearer instructions. Taxpayers who appear to be thoroughly upset or angry can be taken aside to meet in privacy with a staff person who can take the time and trouble to explain the process and procedures.

To that end, and simultaneously, staff morale must be addressed by increasing staff to share the load and by additional training in human relations. Of those two elements, increased staffing is the most essential. Several years ago, clerks who were assigned to answer the phones were eliminated from the budget. Currently, there are only six budgeted positions for the Property Tax counter to handle all calls and all visitors making inquiries and filing complaints and protests. One of the six positions has been unfilled for more than two years; thus, only five people are available to all City property tax payers to answer questions, assist with problems, and explain the process.

Vacations and illness further deplete the number of employees available to assist the public, and put a greater burden on those remaining. The Ombudsman-s Office does not understand why the Treasurer-s Division has failed to adequately budget for and fill these essential positions, as well as re-staff the phone clerks= positions.

It appears obvious to us that additional personnel would clearly benefit the

taxpayers and the City in explaining the system to property owners, and assisting them to make their property tax payments. Such explanations and assistance would thereby bring in additional and more timely tax payments. Most people, even unhappy and frustrated ones, seek only to understand the process and to uphold their responsibilities as equitably determined by objective and fair-minded people in the City of Detroit. Patience and clear explanations reap cooperation and payments much faster than the opposite treatment.

NEW PROPERTY TAX SOFTWARE: The current property tax software system has been in place since the 1970's. (The DRMS system, installed with much fanfare and the source of many complaints, does not deal with the property tax system.) Thus, the software system is essentially obsolete and in critical need of updating. To further confuse matters, the City is now on a levy system, where separate taxes are applied separately. Thus, Levy 1 is the General City and School Debt tax, Levy 2 is the State Education Tax, Levy 3 is the Downtown Development Authority tax, etc. All told, there are seven separate levies which may be applied to any given property in the City. A new software system would better handle all these separate taxes, and would clearly display the separate levies on every property owner's bill. Further, the new system would better and more fairly appropriate such miscellaneous items as penalty and interest to the appropriate levies. In the current system, payments can be easily mis-credited, and corrections must be written up and manually keyed into the system. New software would be faster, more convenient, more accurate, and easier to use. It is an investment which is overdue.

Enlightened fiscal responsibility mandates that the revenue-producing units of the City, particularly those we have reported on from the Detroit Water & Sewerage and the Finance Departments, receive prudent investments of public funds so that the appropriate resources are available for personnel, software upgrades, and employee training. The City's citizens and taxpayers deserve no less.

NEIGHBORHOOD DEVELOPMENT ISSUES: AFFORDABLE HOUSING STRATEGIES

The Disappearance of Affordable Housing B A Crisis in Detroit

A recent study by the Brookings Institution found that between 1991 and 1998, the amount of new construction in the nation's 39 largest metropolitan areas grew by almost 78 percent. The recent period of uninterrupted economic growth in the United States has seen an explosion of home building activity. Nationally, new housing construction has proceeded at a rate of almost 2 million units per year since the late 1990s. However, most of these have been built for middle-class families and located in green fields at the edge of, or adjacent to, large metropolitan areas.

Construction activity in Michigan has followed the national trend. Since the mid-1990s, the state has seen more new housing constructed than any other state in the Midwest and Northeast regions of the country. Unfortunately for those families most in need of housing, the overwhelming majority of these units have been detached single-family homes that were built in low-density areas to serve middle- and upper-class buyers.

Paradoxically, that same period of sustained economic prosperity and residential construction has fueled a deepening crisis for low-income families. Since the early 1990s, the spending of take-home income on housing costs has increased considerably for low-income families, from 12 percent to 15 percent. Meanwhile, figures provided by HUD reveal that from 1991 to 1997, the number of affordable rental units for the lowest income

families in the nation decreased by 5 percent, or more than 370,000 units. Another report issued by HUD in 2000, *Rental Housing Assistance B the Worsening Crisis,* found that 5.4 million low-income families are paying more than half of their income for housing, or live in *severely distressed* conditions. Making matters worse, large amounts of affordable rental housing units continue to be lost as apartment owners prepay mortgages or choose not to renew HUD-subsidized contracts. It is estimated that this trend will continue to worsen for low-income renters when over the next few years as many as one-tenth of such units will be lost as landlords opt out or sell their holdings to private developers. Locally, evidence of this trend can be seen in the disappearance of low-income units just outside downtown Detroit, where residents of HUD-subsidized housing are being informed that their leases will not be renewed.

Nationally and locally, problems for low-income home ownership opportunities are expected to continue. A changing national jobs base that is creating higher income growth

in the labor sector is expected to continue to lead the housing market towards the production of more expensive housing. Also, growing efforts to control urban sprawl by a number of states and cities are expected to maintain policies which continue the loss of affordable housing in older cities.

It is outrageous that while the spread of housing to the suburbs over the last two decades purposely excluded affordable housing, forces of gentrification were launched against many older urban neighborhoods, further reducing the quantity of available housing for low-income residents. As many older central city neighborhoods were recycled for higher income residents, the resulting tighter market too frequently pushed low- and even moderate-income citizens into the cold. For example, the Graimark and Brush Park developments appear to have succeeded only in displacing low-income residents.

Detroit Low-Income Housing

The HUD-sponsored Community Housing Availability Study (CHAS) report on Detroit observed that more than 105,091 rental households have incomes less than 50% of median family income. In addition, another 58,000 homeowner households share the same problem.

Preliminary year 2000 Census figures indicate that 20 percent of Detroit's residents live below the federal poverty level. While that figure represents a 12 percent drop from the 1990 Census, it has not translated into a corresponding increase in the number of citizens moving into better housing. For example, while housing values jumped 50 percent in Detroit from 1988 - 1998, median household annual income was almost \$15,000 lower than the remainder of Wayne County. Also, in 1998, Detroit had the highest percentage of students B 70 percent B eligible for the school lunch program, more than any other city in Michigan and 38 percentage points above the state average.

Even though poverty rate statistics have dropped in Detroit, many persons who are actively working continue to struggle just above the poverty level in order to make ends meet. Indeed, it has been estimated that anywhere from six to ten percent of Detroit's working families above the poverty threshold are among the 51,000 households that face critical housing affordability problems in Detroit, per HUD estimates.

Take Appropriate Action

The Detroit Master Plan of Policies directs that municipal government should ATake appropriate actions to facilitate the providing of an adequate supply and mix of Detroit housing for all household types.@ (Policy 203-5) It also recommends enabling people with lower incomes to live in stable, viable, but non-exclusionary communities with adequate services.

In each of the last four annual Budget reports, the Ombudsman's Office has observed that the lack of affordable housing for Detroit's low-income residents is an area that the administration's housing policy needs to address. We have suggested a number of strategies that could be used entirely, or modified, to shape a workable low-income housing policy in Detroit. **Low-income residents should be able to live in safe, affordable neighborhoods that provide access to good municipal services not only as a right of citizenship, but also because it makes good economic sense.** Their financial status should not subject them to residential displacement whenever public or private neighborhood housing development occurs.

Exclusionary Zoning

The low-income housing shortage has become an acute problem in Detroit, not just because of the large pool of poverty and just-above poverty citizens who reside there. Any serious attempt to provide affordable housing where low-income citizens can live in safe, clean neighborhoods will have to first deal with the fact of exclusionary zoning. **Exclusionary zoning practices in the building and occupancy codes of many suburban communities have been extremely effective in preventing construction of houses having market prices within the purchasing power of low-income wage earners.**

The result of many decades of exclusionary zoning practices has been a regional housing pattern that isolated low-income workers from the jobs that migrated out from the central cities. **This spacial separation of jobs from residences imposed heavy costs on workers denied housing access in the suburbs.** Time and costs of transportation, with city bus routes no longer an option, reduced the access to jobs for some. In effect, wages were reduced for low-income workers who faced increased transportation costs. Also, income taxes, designed to replace revenue lost due to the exodus of jobs and middle-class workers, worsened the plight of low-income households who had no option but to stay behind. Income and racial stratification came to mark the profile of housing throughout the metropolitan region, and still does today.

Exacerbating the economic and social problems of exclusionary zoning is the fact that while the policy has been effect, **increases of private investment in inner city housing have not been matched by similar investment in low-income housing throughout the region.** A de facto regional policy has evolved that affordable low-income housing will be provided by devaluing central city neighborhoods. This policy has created a self-activated process whereby housing values that rise in one city neighborhood can only be balanced by displacement and disinvestment in surrounding ones. Therefore, any effort to build housing that removes the presence of low-income investment in Detroit's neighborhoods can only lead to decline somewhere else in the City. That is why

the previous

administration's attempts to use housing as an economic development tool by building primarily high-income units had a devastating effect on the critical supply of low-income housing available for residents.

Only through a coordinated strategy will the City be able to erase the consequences that regional and City-wide exclusionary zoning practices have had on affordable housing availability. One consequence of exclusionary zoning is that the availability of affordable housing for low-income residents throughout the region and the City is rapidly decreasing. At the same time, housing abandonment and demolition in the central city continues at a pace that advances the displacement of low-income homeowners and eliminates the remaining housing ownership opportunities available to them.

Another consequence of exclusionary zoning is that the spatial mismatch of jobs to workers has disconnected individuals and neighborhoods from participating in regional economic growth for many decades and directly defeats any attempt to successfully develop Detroit's economy to its full potential. Resolving both of these problems has to be a top priority for any initiative geared towards developing Detroit's economy. This will require policy changes at all levels of government; however, our focus must remain on City policy changes.

Recommended City Policy Changes

Until now, Detroit's affordable housing development policy has been nothing more than a patchwork quilt of ad hoc programs: the remnant of urban renewal guidelines, block grant directives, and various federally- and state-funded initiatives. As mentioned earlier, the Master Plan of Policies recommends enabling low-income citizens to remain in stable, viable, non-exclusionary neighborhoods that are provided adequate services. However, there really wasn't an affordable housing ethos in the previous administration.

In reality, there has been very little effort to incorporate low-income housing into any development formula for Detroit's economy. More than five years have passed since release of the Community Reinvestment Strategy (CRS) Cluster Reports which cited the need for neighborhood housing redevelopment as a *Acritical*® issue. Several of the strategies that they recommended should be used as a platform for development of an affordable housing policy. They include:

- \$ Targeting housing redevelopment at locations specified in each of the ten cluster reports
- \$ Improving neighborhood character by rehabilitation and in-fill construction, and setting up criteria for demolition where needed

- \$ Encouraging new construction of low and moderate-income rental property
- \$ Creating and promoting programming to increase home ownership options
- \$ Improving City services, and coordinating infrastructure improvements between departments, i.e., lighting, roads, zoning
- \$ Centralizing, simplifying, and expediting the development process

The Community Renewal Strategy (CRS) Cluster idea of planning for Detroit's future has been criticized for several shortcomings, and praised for its ability to get whole communities moving towards common goals. But the general consensus that the report expressed about the need for affordable housing and the eagerness that every cluster expressed to make low-income residents a part of their neighborhoods, should be taken as a mandate. This mandate comes as an expressed desire of the people that the time has come for deliberate action to be taken to guarantee every Detroiter affordable housing.

Creating Opportunities for Affordable Housing

There are a number of strategies to ensure the stability and nurture growth in affordable housing opportunity. **Waiting for the Aright® planning project to come along and provide the silver bullet only continues the ongoing displacement of low-income residents from neighborhoods as well as eliminates further housing location choices for them.**

Following are a number of suggestions on strategies that can and should be pursued in order to ensure that low-income households are guaranteed the chance to participate in Detroit's economic growth. These strategies provide opportunities for building equity through home ownership as well as for exercising the right to live in clean safe, and affordable neighborhoods. The strategies are presented under four subheadings even though many policies and approaches that are mentioned could fall into more than one category. None of them are mutually exclusive. As discussed below, they include protecting home ownership, land use possibilities, tax-based strategies, and community action plans.

Protecting Home Ownership:

Nationally, between 1994 and 2000, the number of very low-income home owners (those earning 80 percent less than the area median income) rose by about 3 million. In all, low-income home ownership rose nationally almost 11 percent, African-American home ownership 24 percent, and Hispanic home ownership an impressive 39 percent. These gains have allowed millions of persons to get a footing on the ladder of home ownership. However, the gains obtained through home ownership are threatened by the fact that so

many of the re-finance and new home loans that they received were through sub-prime and low down payment financing arrangements that lead to low equity development. At the same time, concerns over the validity of FHA appraisals and widespread predatory lending abuses in low-income communities have been surfacing. Taken together, these unsettling developments suggest an increasing risk of default and foreclosure.

This threat can be countered through **establishing programs that counsel borrowers before they purchase a home or refinance their mortgage** to ensure that they can handle their payments, and that they get the lowest-priced credit they qualify for. In addition, the counseling could provide a warning mechanism against predatory lending practices: How to recognize and how to avoid them. The use of Neighborhood Opportunity Fund grants is one effective way to provide this service.

Another worthwhile approach would be to press local banks and lenders to open up prime market lending for affordable housing. It has been estimated that as much as 35% of current sub-prime mortgage customers would qualify for lower prime lending deals if such flexibility occurred. In this manner, a larger percentage of low-income families could become homeowners, which has the long-term effect of stabilizing families and neighborhoods.

Land Use Possibilities: Zoning Incentives, Linkage Programs, Manufactured Housing

One of the most effective ways to increase affordable housing is to lower the cost of producing it. This can be accomplished by allowing for the use of innovative materials and building techniques as well as by removing regulatory barriers that are slanted towards homogeneity. Last year we emphasized guidelines that needed to be adopted as well as zoning law changes that need to be implemented in order to facilitate **ANew Urbanist@** developments that stressed affordable housing. This year, we recommend a number of strategies to encourage the building and manufacture of low-income housing, such as zoning incentives, linkage programs, and manufactured housing.

ZONING INCENTIVES: Inclusionary zoning laws are just what they sound like. They can be state, county or local laws that tie development approval for certain construction to the provision of low-income housing as a requirement for approval. **These land-use regulations increase the opportunity for low-income homeowners to live in mainstream neighborhoods by linking the construction of affordable housing in the community to the building of private market-rate units.** Sacramento, California recently added the following section to its city code in order to foster construction of affordable housing:

Section 17.190.030. Standard Inclusionary Housing Component

Number and Affordability of Inclusionary Units. In Development Projects in New Growth Areas, the Inclusionary Housing Component shall consist of Inclusionary Units developed for, offered to, and leased or sold to Very Low and Low Income Households as follows: ten percent (10%) of the Dwelling Units shall be Affordable to Very Low Income Households and five percent (5%) of the Dwelling Units shall be Affordable to Low Income Households.

Incentives for developer participation include:

- \$ Special permit processing status
- \$ Density bonus for the entire project B not just the low-income portion
- \$ Fee waivers and/or deferrals
- \$ Modification of planning and utility standards
- \$ Local public funding for leverage in obtaining tax credits, mortgage financing, etc. by the developers

In New Jersey, a State Supreme Court ruling in the Mount Laurel Housing case decreed every municipality must provide a realistic opportunity for the provision of affordable housing. A quasi-judicial administrative agency that was established to carry out the directive has helped facilitate the building of almost 40,000 new and rehabilitated units of affordable housing in less than two decades. As might be expected, the political opposition to the court order was intense. To placate it, the court provided developers and localities the option of contributing to a housing trust fund in lieu of actually building in certain communities. While this opt-out feature did undermine some of the important distributive effects for low-income housing ownership that might have been realized, the decision was an important landmark because it insured the inclusion of affordable housing in all community development plans.

Inclusionary Zoning ordinances can rely on developer participation through either voluntary or mandatory requirements. In the Mount Laurel decision, anticipated obstacles to mandatory enforcement at county and local levels created a compromise that relieved state and regional government from determining the method for dealing with localities that refuse to comply with affordable housing commitments. The cash opt-out was one way to approach the problem of non-compliance. Another way that has proven to be effective is to pair the law with density bonuses to compensate builders for the foregone profit on affordable set-asides.

LINKAGE PROGRAMS: A little less politically charged than Inclusionary Zoning Ordinances, Linkage Programs require a developer to either contribute equity funds to low-income housing in the area or pay a fee into a designated low-income

housing trust fund. Cities such as Boston and San Francisco have had success implementing these programs. Unlike Inclusionary Zoning Ordinances, they ensure that all construction or economic development projects, not just housing development, contribute to the common goal of establishing affordable housing in the region.

MANUFACTURED HOUSING: Restrictions on the use of manufactured housing in urban neighborhoods need to be examined in the light of the cost savings that can be realized with their use. Four years ago, when we urged the previous administration to accept manufactured homes in Detroit's neighborhoods, we cited national construction figures that showed it cost \$27.83 per square foot to build a manufactured home compared to \$58.11 per square foot for a standard, single-family stick built home. Manufactured housing is a viable vehicle that can be used to address the affordability crisis that Detroit homeowners and renters face. Yet except for a few small scale grant-funded projects, it remains a non-choice of planners.

Manufactured homes can be small B thereby allowing for higher density, less expensive, land assembly costs. These savings do not have to come with a loss of quality. The King County Housing Authority in Washington State has proven that point by successfully developing communities of manufactured homes in Seattle. In Noji Gardens, the use of manufactured homes has kept prices low enough so that people in the surrounding area can afford to live there. Noji Gardens is a 75-unit development, 54 of which are manufactured homes. The manufactured homes were produced quickly at the factory, and their relatively short construction time (compared to stick-built) combined with innovative materials and construction techniques translated into home prices considerably more affordable to low-income home buyers.

Tax-Based Strategies

Tax-based strategies, both direct and indirect, can be used to retain existing low-income housing and create incentives for developers and potential home buyers. Such action is especially important in light of the recent increase in the number of low-income rental units that are being taken off the market in Detroit. In the Lafayette Park neighborhood for example, very low-income, as well as low/moderate income units, are being converted to higher income condos by building owners who have decided to cash in on the recent private speculation in the area due to the expected casino development nearby.

TAX DEPOSITS LINKED WITH LOW-INCOME HOUSING: One of the unfortunate by-products of the Headly Amendment has been that local governments continue to go after high-revenue businesses such as corporate headquarters, malls, and big-box retailers to make up for lost property tax revenue. As a result, they are often reluctant to tie up revenue for mixed-use housing that includes affordable low tax housing ownership.

Cuyahoga County, Ohio has established a program where 10 percent of collected tax proceeds are deposited in banks that pay below market-rate interest (with not more than a three percent difference.) The institutions then provide below market-rate loans for housing rehabilitation to low-income homeowners living within designated areas of the county. Over a two year period, it is estimated that by foregoing \$1-1/2 to \$2 million in interest, the county helps make available about \$35 million to upgrade almost 4,000 low-income homes.

Community Action Plans: Neighborhood Initiatives, Lease-Purchase, Right of First Refusal

In all major cities, residents and community groups usually have to wage a tough struggle, with no assurance of success, to have their interests represented in private development projects. Affordable housing and anti-displacement advocates usually emerge as losers from these struggles. Nebulous terms like cluster groups and planning sectors give the impression that every voice is heard. In reality, unless they somehow involve federal contracts, most private projects will be able to do pretty much what they want without considering any other factors. **There is no real process which provides local neighborhoods the power to determine the course of planning for a block or even any individual building.** However, from time to time individual activities arise in communities that provide examples of what can be accomplished to advance the affordable housing movement. Following are a few of the plans that are worth further investigation.

NEIGHBORHOOD INITIATIVES: Probably one of the most successful examples of how community groups can have an impact on developing affordable housing is provided by a Boston group known as the **Dudley Street Neighborhood Initiative (DSNI).**

Through development of a comprehensive planning agenda, **DSNI was able to obtain neighborhood stewardship by creating a Community Land Trust dedicated to the acquisition of land for building affordable housing, commercial units, parks, and community facilities.** Formation of a Community Land Trust was the key to their success, because it allowed them to facilitate a long-term community ownership strategy. Creation of the Land Trust allowed the group to receive the power of eminent domain, a power that is very rarely held by a non-profit community group.

Dudley Neighbors, Inc., a spin-off of DSNI which is the non-profit Community Land Trust, has been able to obtain financing for affordable housing through local lenders. The Local Initiatives Support Corporation (LISC) and several local banks appreciate the security that comes with knowing that the organization is standing by to either assist the owner in the event of any trouble or buy the property back in case of default.

LEASE-B PURCHASE: Lease - Purchase home ownership is another proven strategy that allows families who normally would not be able to qualify for a mortgage to become homeowners. In this plan non-profit or other private organizations rehabilitate homes they acquire and then lease them to low-income families. During the lease period, a portion of the renter's payment goes toward a down payment; simultaneously, the renter's credit rating is improved, an essential prerequisite for securing a private mortgage. In Cleveland, Ohio, the Cleveland Housing Network runs a lease-purchase program by using donated property, and acquiring abandoned buildings. After repairs, it selects neighborhood families who can lease the property for future purchase.

RIGHT OF FIRST REFUSAL: A Right of first refusal® (ROFR) is one major community action plan that private market interests lobby against unceasingly. Under A right of first refusal® ordinances, property owners who plan to sell their property must first offer to sell it to tenants or non-profit community groups. Although there are no ROFR ordinances in the country dealing with private market buildings, the ROFR ordinances can benefit those tenants in most low-interest HUD mortgaged properties. The mortgages are now eligible under their original terms to be paid off, which would free the owners to gentrify the properties if they wish, and evict low-income tenants into the street. In Chicago, for example, tenants of apartments have been able to use the right of first refusal to purchase buildings and turn them into equity cooperatives.

In Detroit, the very least that should be done to protect low-income tenants who are being gentrified out of their units is to help them identify if they are able to exercise the right of first refusal. The very best that can be done is that funding might be provided to help them acquire their property. Such an activity could ideally be administered by a Land Bank Authority. Use of land banks to provide affordable housing would provide a quicker way to implement inclusionary zoning concepts than going the ordinance-development route.

In any case, the City needs to address the pressing issue of providing safe, affordable housing for its low-income residents, and to protect them from abrupt evictions from HUD-financed housing. Such a move protects the citizens, saves neighborhoods, and creates property tax payers, and thereby benefits all.

ECONOMIC DEVELOPMENT ISSUES I: TOOLS TO GROW NEIGHBORHOODS, ATTRACT TOURISTS, PROMOTE BUSINESS

After more than a decade of economic development strategy based on the practice of allocating the majority of funds to high profile projects downtown, it appears that a growing economy based on sports, entertainment, corporate offices, and higher income housing is finally emerging within the boundaries of that sector. The Massachusetts Institute of Technology dictionary of Modern Economics defines economic development,® rather broadly, as the process that policymakers use to improve the standard of living and well-being of a population. However, Detroit, like most other struggling municipalities at the close of the 20th Century, chose to select policies for development that presented the subject in a much narrower light. Basically, the term economic development came to be defined as changing the kinds of jobs, the types of businesses and the quantity of higher-assessed housing located within City boundaries in order to ensure fiscal survival of the municipality.

In the first part of this year's report on emerging economic development issues, we will remind you that the tools used to implement the tax-based and place-based strategies for fixing the downtown and neighborhood economies need to be looked at as just that: tools. As such, they may be perfect to use in some circumstances, but over-reliance on them could actually make the construction of a sustainable economy in Detroit more difficult. We will also examine historic preservation, and its potential role for attracting development.

The second essay on development issues (Economic Development II) discusses the challenges that have consistently defeated efforts to develop a stronger Detroit economy: Infrastructure, unemployment and poverty. **It has been demonstrated that creating development tools that can be used by the neighborhood instead of on the neighborhood are the most effective.**

The third essay (Economic Development III) addresses essential improvements in demolitions and zoning enforcement which will help build a better economy for Detroit, a sustainable economy for all its citizens, usable for generations.

Tax Reductions and Place-Based Strategies

The Ombudsman's Office has noted that while there are many studies on the influence that tax strategy has on economic growth, it is far from certain that tax cuts and abatements for businesses are able to draw industry types from outside the region that are needed to ensure long-term economic sustainability. Studies have shown that the importance to

business of lower tax rates decreases with distance. Also, there is a considerable amount

of data that suggests that many times the tax revenue that is lost from this practice will contribute to a decline in levels of municipal services.

Over the past decade, place-based (as opposed to reduced-tax-based) development projects have been utilized to assist in building the downtown economy. These efforts have been geared towards developing an environment made up of a new residential population, renovated and new hotel rooms, major sport and entertainment centers and improved convention facilities. **The recent emphasis on developing tourism in order to make the downtown economy self-sustaining is another place-based development tool that should contribute to this goal.**

Both tax- and place-based development policies can be used to provide economic benefits. However, consensus on their full contribution to economic development is difficult to determine. And, the value that they bring to the community can be considerably lessened if they are not properly used.

LOFT DEVELOPMENT: The Ombudsman's Office has consistently maintained that the growth of a downtown residential population is one of the key elements needed for developing and sustaining a healthy retail and service sector downtown. Several large scale loft developments are now underway that will bring residents into the area and, hopefully, will increase the likelihood of sustaining a growing retail and service sector. Of course, the rental prices that will be charged for these units may be a bit pricey, and will have an affect on the demographic profile of downtown's residential neighborhood, but their presence hopefully will trigger efforts for developers to provide more reasonably priced loft developments in the future.

Loft developments have acted as catalysts for rapid development of in-city living. In fact, many economists agree that they are needed far more than entertainment and office centers to ensure that downtown becomes a neighborhood capable of sustaining itself and contributing to the economic competitiveness of cities. In Detroit, for example, estimates are that right now there is a pent-up demand for over 3,000 loft units.

Loft development also has the capability of imposing unseen development costs on the community that need to be considered. For example, if buildings are allowed to retain their commercial tax rate classification (a common practice) they can legally deny the City Treasury millions of dollars in property tax revenues per year. Taxing them at lower commercial rates while providing residential services will result in unreimbursed expenses to the municipal budget.

Another fear is that significant loft conversion activity could displace other anticipated economic uses near current major business projects downtown. Therefore, it may be desirable to ensure space where key suppliers will be able to cluster near major job providers, or where incubator industries will be able to get a start in life. This is probably

more apt to happen in Detroit than in other areas of the country because right now the key loft developers are those who are able to secure large HUD grants and federal loan guarantees that allow them to tie up choice locations, possibly even displacing existing residents or businesses in the process. The City must be on the lookout to avoid these unpleasant side effects of runaway development.

From tax issues and loft development, we move to our examination of tourism and historic preservation, more economic development tools which need to be used with precision and care.

Creating Destination

Over the last decade, considerable federal, state and local economic development resources have been expended on building two sports stadia, expanding the convention center, and nurturing a growing entertainment district. There is no doubt that this strategy has generated more jobs and investment in the area. **However, the jury is still out on whether or not these actions will generate enough increases in tax revenue sufficient to offset all of the public money invested in them.**

STADIA: One of the most popular economic development tools that American cities have been using for economic development has been the construction of new major league sports stadia. In theory, after the initial revenue generated by their physical construction, stadia will generate more jobs and income within the community due to employment within them as well as in the supporting businesses surrounding them, i.e., food, entertainment, and parking. However, there is a considerable body of research available that indicates that economic activity generated by sports stadia results in loss of such activity elsewhere within the region. While new stadia may increase destination trips to an area, they could even potentially have a negative effect on revenue. For example, the lion's share of wages paid to stadium workers go to the team athletes and administrative staff, who export that income into the communities where they live.

While the two new stadia in downtown Detroit will possibly generate more than one million destination trips into the area each year, it may be that their contribution to Detroit's economic development serve more as image builders. It can be argued that the externalities that they add to the development picture will thus justify their public expenditures.

Empty stadia, though, are another matter! The failure to develop the former Tiger Stadium to another use, perhaps as a training facility, or minor league club franchise is a misuse of assets that cannot be justified. Finding a significant reuse for the facility that again makes it a destination should be an economic development priority.

CASINOS: Detroit's reliance on the casino industry to be the catalyst for establishment of a tourist-based industry has not paid off as anticipated. As a matter of fact, recent concessions granted to the three principles have cut in half the number of hotel rooms they were to have added, in addition to eliminating a \$60 million commitment that had been earmarked for neighborhood minority business development programs. Since they have been operating, the three casinos have contributed significant money to Detroit's coffers. However, until they are able to attract tourists who are more than just Aday-trippers,@they will continue to export vast sums of money that could be added to Detroit's economic base.

Tourist gamblers who visit for several days, rather than hours, are what is needed for local economic development. Only when they are able to patronize the city's retailing, restaurants, convention, and recreation industries will Detroit be able to tangibly benefit from casinos. Therefore, it is imperative that every effort be taken by the administration to expedite the building of the hotels.

HISTORIC RESOURCES AND TOURISM: The Ombudsman's Office is pleased to see that the new administration has made a genuine commitment to incorporating tourism into economic development strategy. However, any attempt at making Detroit a destination city must be predicated on more than just casinos and sports arenas. True, Detroit already has

splendid resources like the Zoo and the DIA that are attractions for visitors and residents alike. The reality, however, is that tourism not only benefits the City as a whole, but it also will allow the current cultural, artistic, and historical institutions that are here now to share in the benefits and evolve to even higher levels of development and service.

Failure to utilize Detroit's historic resources as a force for economic development has been a common theme in the planning policy of Detroit. For example, the Fox and Gem theater restorations, private endeavors, helped launch a revitalized theater district where people come to experience the magnificent buildings almost as much as to be entertained. The City's public and quasi-public development agencies, though, failed to follow-up on these projects by encouraging other small-scale, affordable projects in adjacent buildings that might have provided even more interest in the area for tourists. It is tragic to realize that Black Bottom, Hastings Street, and Paradise Valley, among other historical gems, are gone. Enlightened historic preservation policy may have saved them.

However, there are still a number of historic resources in Detroit that have been overlooked for too long and that need to be recognized for the many potentials that they hold for economic development.

The current boundaries of Detroit have been established through the assimilation of many older communities that were once neighboring villages and towns. Although their names have been removed from the map, many of the surviving architectural and cultural features provide an opportunity for economic development activity. In addition, we have existing

clusters of industry and commerce which could be adaptively reused in a historic preservation context.

Last year, for example, we pointed out that in Northeast Detroit (CRS Cluster #1), many original buildings from the Village of Norris are standing. This Civil War era town was built by a noted 19th Century American explorer, Philetus W. Norris, who blazed some of the original trails in what is now Yellowstone Park. Mr. Norris also is credited with establishing the first civilian detachment of national park rangers.

Other villages, towns, and historic sites throughout Detroit and the region offered opportunities for economic development that needed to be capitalized on. Like the Old Towne sections of Boston, Chicago or San Diego and the unique downtown neighborhoods of San Francisco, they are compact areas that can be easily covered by tourists on foot. In addition, many of them have enough of the original infrastructure, i.e., churches, bars, and hotels remaining that they can mix culture with commerce. In the case of Norrisville, officials in Yellowstone Park have even indicated that they would tie that community's history to exhibits in their own museum. That is exactly the type of linkage that tourist economies need to cultivate in order to create reasons for visitors to make them a destination.

HISTORIC PRESERVATION B BEYOND TOURISM: A recurring theme in the Ombudsman's Annual Budget Reports has been that the failure to utilize Detroit's historic resources as a force in development has needlessly handicapped economic growth. Once only seen as a movement that restored historically or architecturally important buildings as museum pieces, it has come to be valued as a development tool that, in many cases, can actually bring more benefits to the community than new construction. Although European town planners have used historic preservation to anchor development projects for centuries, it wasn't until the 20th Century that American planners realized its value. Since then, successful cities like New York, Baltimore, and San Francisco have used historic preservation to increase the value of downtowns, commercial districts, and residential neighborhoods.

The failure to include existing historic resources as an integral part of the planning process in Detroit brings a double loss to the community. First, it hastens the disappearance of resources that foster civic pride and reflect a sense of who we are, and who we were. Second, failure to use these resources denies the community the opportunity to reap economic benefits that can accrue from preservation activities. In Detroit, a policy of demolishing the types of buildings that other cities are saving is leading to the disappearance of significant opportunities. The variety of buildings, so varied in scale and form that they can be the building blocks for new development, is being lost.

No where is this loss of opportunity more apparent than in our commercial strips where

there has been a noticeable inability or reluctance to encourage and enable small adaptive reuse projects. This has been a near-fatal inability for many neighborhood economies who have seen large numbers of commercial buildings stand vacant until they have literally fallen down for lack of development strategy.

Even though historic preservation has been woven into the City Master Plan as a guiding principle, and has also been declared a public purpose through adoption of the Historic Districts Ordinance, there has been very little effort has been exerted by City Planning & Development Department officials to utilize its potential as a development tool.

Detroit can no longer afford to consciously ignore using historic preservation activities as part of development policy. The successful and booming cities that are world leaders have recognized the contribution of historic preservation to economic development and have incorporated it into their planning process. It's time that Detroit does the same.

Historic preservation can transform buildings that have outlived their original purpose into bridges for serving the new businesses of the information-based services economy. These old buildings can also provide neighborhood-based centers that can be used for transportation linkages, as well as for educational, health, and recreational support services important for building sustainable neighborhoods.

Until there is a commitment to finance budgeted positions for historic economic development planners, Detroit will never be able to realize the many benefits that could enable it to develop a strong tourist economy.

ECONOMIC DEVELOPMENT ISSUES II:

CONFRONTING INFRASTRUCTURE, POVERTY, UNEMPLOYMENT CHALLENGES

Physical Infrastructure Improvements: Roads

Improving roads has long been seen as a quick fix to fuel economic growth in declining areas. Road improvements are firmly linked in planners' minds with efficiency increases for private industry. It is hypothesized that by allowing for greater carrier capacity, shipping costs can be lowered which in turn will theoretically lower overall costs of production for local companies, who then will be able to compete in the global economy. This lowering of shipping costs and time/labor savings is supposed to be a strong factor for luring businesses into a city. Also, it is argued that the physical construction process of road building itself can employ very large numbers of construction workers who will supposedly contribute to the local economy not only through taxes but also by increased consumer spending.

More recent studies though have indicated that the correlation between infrastructure investment and economic development is not as strong as expected. As a matter of fact, recently there have even been studies on metropolitan growth that found a negative impact on highway spending programs and employment. Charles Lockwood's article, "What Happens When the Downtown Freeway Comes Down" (Environmental New Network, January 2000), even points out that several major cities across the country, including Boston, Fort Worth, Hartford, New York, Oakland, Pittsburgh, Providence and San Francisco, are now dismantling some of the freeways that once were considered so vital for their economic development, and using the reclaimed land for successful economic development alternatives.

With this fact in mind, the Ombudsman's Office strongly recommends that any major expansion of highway infrastructure in Detroit should be examined very closely before it is implemented.

The Southeast Michigan Council of Governments (SEMCOG) recently reported that Metropolitan Detroit will need at least \$41 billion to build and maintain roads over the next 25 year period. Among the projects planned is a rebuild (not to be confused with the bridge replacement and resurfacing currently underway) of a seven mile stretch of the I-94 Freeway that runs through part of Detroit. In addition to repaving, that section of the freeway is considered a candidate for widening because of the increased truck traffic that is projected as a result of the North American Free Trade Agreement (NAFTA). When the expansion is complete, I-94 will be widened by two traffic lanes with a 55 foot center berm left vacant for future needs.

It is not inappropriate to question whether or not the current plans for expansion of

I-94 will really be a benefit to the Detroit economy. One fact that is already certain is that the removal of property along the proposed right-of-way will cause significant revenue decrease as a result of a shrunken property tax base caused by construction. We also have to wonder what the final bill will be for the dislocation of businesses and neighborhoods that will be removed. In view of these concerns, someone needs to ask the question of whether or not there are suitable alternative routes that could be utilized for moving international truck traffic from Detroit to Sarnia. Perhaps construction of a ring road, though initially more expensive, would be more appropriate, and less destructive to Detroit and its suffering neighborhoods.

The wholesale destruction of neighborhoods, and the role that expressway construction plays in that destruction, leads inexorably to a discussion of two forerunners to ruined blocks: unemployment and poverty. In the next section of this essay, we'll examine the degree of the problem and its impact on Detroit's prospects for long-term prosperity and development, along with some practical proposals to combat these twin adversities.

Workforce Development: Unemployment and Poverty in the Detroit Economy

Unemployment and poverty: These two variables have continued to defeat meaningful economic development efforts in Detroit for decades. Until they are effectively curtailed, Detroit will never be able to gain the competitive edge that it needs to be a sustainable force in the world economy.

In Detroit, the reality is that employment opportunity is dependent on regional business activity, and that part of the economy has placed a high emphasis on training skilled workers. It has become the driving force in the local employment training sector.

In Detroit a permanently underemployed workforce was created as the result of a nation-wide shift from a manufacturing to a technologically-based economy. In the 1990s, changes that incorporated high technology in the manufacturing industries seemed to restore the hope for high wages and growing employment for Detroit's displaced manufacturing workers. However, we soon learned that this change required a smaller, more educated labor force than the traditional blue-collar and entry level workers that had historically made up the City's labor pool. To make matters worse, high-tech manufacturing firms moved to the suburban fringe in order to take advantage of relatively cheap land for factories and a labor pool of better-trained workers.

In response to this shift, major employment and training programs have been funded to retrain Detroit's labor force with new job skills. However, their track record has been one of limited success. **Consequently, a large number of Detroiters remain untouched by**

any job training activity. These persons, whether they are the working poor or the permanently unemployed, can be found in many of our City's neighborhoods. They constitute a formidable barrier to sustaining neighborhood economic development. Not only do they fail to benefit from increases in the standard of living enjoyed by most persons during times of prosperity, but they also are unable to gain a rung on the job ladder that leads to more productive, better paying jobs in the future.

Until a solution is found for how to address the issue of those who have been excluded from jobs in the new economy, it will be futile to ever envision a sustainable economy for Detroit. For true economic growth to happen, we need to answer the question: What steps are being taken to ensure that workforce development training encompasses everyone in our neighborhoods, not just a few target groups, as identified in federally funded programs or private contracts?

CONTINUED HIGH CENTRAL-CITY UNEMPLOYMENT & A GROWING SKILLS GAP: The trend towards job creation in the high-tech, information-based, and skilled service industries will likely continue to reduce the availability of blue collar semi-skilled jobs that were so readily available to local workers in the 20th Century. Meanwhile, the lower-skilled manufacturing jobs will continue to migrate away from the urban core, exacerbating current economic and social problems of the older less-skilled work force left behind in high pockets of unemployment throughout many of the City's neighborhoods.

The implications for Detroit's economy is that its older pool of workers will continue to face a growing gap in skills required for employment as advanced service industries move into the central city. Unemployment rate statistics that are available seem to back this fear up. For example, when Detroit's workforce was enjoying a relatively low unemployment rate of seven percent in 1998 due to economic boom times, the state average was only 3.8 percent.

COSTS OF POVERTY AND UNEMPLOYMENT: The causes of urban poverty are multidimensional. Economic, sociological, political and even structural factors (the built environment and transportation) help give it life. Unemployment is certainly not the only cause of poverty in Detroit. However, as long as people are kept from participation in the labor market because of an education/skills gap, described as a "human capital deficit" by the new economists, poverty levels will continue to significantly impede development of a sustainable economy. Certainly, the more that root causes of poverty can be reduced, the better chance there is that the City will be able to allocate budget resources for growth.

In Detroit a large number of untrained and under-employed workers are living in poverty. Their presence is not only a human tragedy, but a growing burden to the City's treasury due to unfunded responsibility shifts from national and state legislative action. As a result, each year expenses in the municipal budget associated with providing correctional

facilities, housing, health, recreation, community development, and provision of infrastructure services increase as the percentage of the population in poverty grows.

The effect of poverty and unemployment on Detroit's economy can be calculated by many different formulas. **However, most analysts agree that, after netting out intergovernmental transfers, large cities spend 12 to 15 percent of their general budgets on poverty-related issues. In Detroit, that figure translates into a minimum of about \$200 million a year!** However, that figure is not even the entire cost. Along with municipal budget costs, there are other costs that are harder to estimate. These costs include regional as well as local expenses created from urban sprawl, increased infrastructure depreciation, and lost labor force productivity.

New Building Blocks for Economic Development

The Ombudsman's Office finds that a strategy clearly needs to be adopted that actively includes steps to reduce the rate of unemployment in Detroit. No matter how successful Detroit is in attracting new jobs, residents, and housing, it cannot afford to continue the economic and social costs of ignoring one of the principle reasons that such a high number of its citizens live in poverty. Following are some recommended initiatives that have been tried elsewhere and, we feel, could be helpful tools for strengthening neighborhood economics:

COMMUNITY COMPUTERS: The link between acquisition of computer skills and individual economic success in the 21st Century economy has been well established. That link is the reason why internet and computer literacy has been the goal of publicly- as well as privately-sponsored programs at K-12 schools, libraries, and other educational institutions throughout the country. Efforts to expand computer access directly to neighborhoods that are experiencing high unemployment and poverty rates could have immediate as well as long-term positive benefits to the economy.

The idea of community computing, that is, bringing information and communication technology to a broad audience in order to allow them to enhance their skills, has never been implemented on a large scale in Detroit or elsewhere. However, we believe that this is one more building block that needs to become part of our economic development strategy. Successful community computing initiatives could be achieved in a number of ways. For example, the city of Boston has established community technology centers at more than 40 locations throughout the City. Community computing is still a relatively new concept, but it does seem that Detroit, with its new high-tech computer industry, would be the logical place to implement it on a large scale. The Office of the Ombudsman recommends that the City explore mechanisms to acquire and provide donated computers to youth, recreational and senior centers.

BUILDING LOCAL WORKFORCE PARTICIPATION: Encouraging efforts to promote

hiring of the local unemployed by the neighborhood business sector is another economic development tool that needs to become a major part of Detroit's strategy.

All ten final Cluster Reports that made up the Community Reinvestment Strategy (CRS) recommendations cited a strong need for job creation at the neighborhood level. Yet, critics of present job development initiatives maintain that there still is no attempt by the City to work with neighborhood businesses and tie them into the untapped labor pool of the central city. In light of this fact, it should not be forgotten that the most important core of businesses that provide local jobs and ensure economic stability in many neighborhoods continue to be those that provide basic goods and services to the community. Food and clothing stores, cleaners, restaurants, automobile repair shops, gifts, jewelry, barber shops, hardware stores, and other non high-tech enterprises continue to differentiate the healthy neighborhood business economies from those that are not.

NEIGHBORHOOD ECONOMIES: Over the years, the Ombudsman's Office has pointed out that development of a sustainable economy that seeks to provide jobs for all residents will have to recognize the important role played by Detroit's many small neighborhood-based businesses. Neighborhood businesses rely on surrounding resources for market development as well as labor supply. The small business sector plays a critical role in new urban job creation. They are the ones who often provide entry to the job force for new employees. They are more likely to hire the unemployed or create part-time jobs than larger firms. Included in this group are many small firms where a noticeable part of their labor pool really do walk or take local public transportation to work.

For the past two decades the majority of jobs that have been created in the Metropolitan Detroit area appear to have been concentrated in the high-wage Central Business District and the region's industrial corridors rather than in the neighborhoods. If this trend continues, employment distribution in Detroit will continue to become more polarized into high and low wage sectors with fewer options for those workers displaced by, and not allowed to participate in, the emerging high-tech economy.

It is imperative that all business-attraction strategies aimed at bringing in large signature merchants (Home Depot, K Mart, etc.), as well as small-business revitalization programs, neighborhood entrepreneurial endeavors, or start-ups, must always include a commitment to link them with the unemployed who live in these neighborhoods. One of the major flaws in the economic development efforts for neighborhoods has been the tendency to treat business attraction and revitalization as separate from problems of the working poor and unemployed who live there. What has been missing has been a policy to train the unemployed who live in the neighborhoods with the job skills that will enable them to find work in their neighborhoods.

Again this year, the Ombudsman's Office observes the pressing need for creation of a

neighborhood-based mechanism for employment, recruitment, and training that meets the needs of both trainees and local employers. Such activity should be mandated in each of the five grant areas established through the Mayor's Office of Neighborhood Commercial Revitalization. Job creation for neighborhood residents is undoubtedly one of the most important tools for redeveloping neighborhood economies. For neighborhood economies to grow, there must be opportunity for employment, management, and even ownership of neighborhood-based business establishments by the persons who live there. Neighborhood-based training and employment service centers should be located in each CRS district. These centers can concentrate on developing the most important neighborhood assets, that is, the unemployed. Job training can be facilitated through community-based organizations, non-profits or even some type of government/private partnership that focuses development on skills relative to the needs of those businesses that contribute to the neighborhood economy.

Land Banking

The recent announcement that the State of Michigan and City of Detroit are preparing legislation that would set up a joint Land Bank Authority, promises to be an important key to the economic recovery formula for Detroit. The Ombudsman's Office has been advocating the use of land banking as a community development tool for over five years because we are convinced that Detroit's vacant land is another key asset that can help the City reach a wide range of economic development objectives. Among these objectives are creating jobs, increasing tax revenues, bringing about transportation infrastructure efficiencies, and preserving choice and affordability in neighborhood housing.

THE PROPOSED LAND BANK AUTHORITY: By conservative estimate, there are at least 40,000 vacant properties in Detroit's neighborhoods available for land banking. One of the first priorities, then, will have to be establishing a complete listing of properties as well as figuring out a way to keep track of their eventual disposition. Currently, information about vacant land resides in several City, County and State agencies independent of one another. Therefore, it will be necessary to devise a structural organization within the proposed Land Bank Authority capable of communicating with public agencies and private developers as well. More opportunity for State, County, and City communication has to be provided in order to facilitate making parcels available to responsible users in a timely fashion.

Although one purpose of a land bank is to assemble land and/or buildings for future development projects, the process should not always mean that activity will not occur until a developer is at hand. We have noted that land banks in other jurisdictions profitably rent or lease parcels of their property for a variety of uses.

For example in Detroit, vacant lots within a reasonable distance from major construction

projects could be leased as staging areas, or even offered for use as part of development agreements, in order to help developers keep construction projects flowing. The advantage for the City is that it could keep the property secure and maintained with no appreciable increase in budgeted expense for several years at a time while the private sector would be able to ensure a continuous flow of the building process, thereby keeping down constructions costs.

COMMUNITY LAND TRUSTS AND COMMUNITY LAND BANKS: As of this writing, the Ombudsman's Office has not been able to review any of the terms that the administration has agreed upon with the State for the proposed Land Bank Authority legislation. However, we strongly recommend that besides dealing with private investors, the Land Bank Authority also be mandated to deal with community-based organizations through such vehicles as land trusts and banks.

Community Land Trusts are private non-profit corporations that are created to acquire and hold land. They represent long-term community ownership. Typically, community-based groups acquire property from municipal land banks and then retain the deed while leasing the land for development. They have proved to be excellent vehicles for providing affordable access to land and housing for low-income citizens. Burlington, Vermont; Atlanta, Georgia; and Chicago, Illinois are all cities where land trust strategy has been used effectively by non-profit citizens groups.

Land trusts function similar to housing cooperatives. The long-term leases that they provide are renewable, and the land trust has first option of buy-back. This arrangement allows them to restrict speculation as well as prevent absentee ownership of land and houses in the community. Land trusts are an extremely effective means of ensuring that low-income residents will not be displaced whenever private development begins to gentrify existing neighborhoods. More importantly, land trusts provide a way for all low-income citizens to become owners of property and participating members of their neighborhood economy.

Housing is not the only community asset that can be provided by land trusts. They can be used to ensure that vacant lots benefit the community and do not turn into dump sites. Working with neighborhood groups (cluster groups, citizen district councils, or any other interested group of stakeholders), community land trusts can be set up that assume stewardship over the land in return for the freedom to use it for establishing recreation, housing, or even commercial development.

Community land banks, on the other hand, are usually concerned with short-term land holdings. Quite simply, they act as a conduit for purchase or lease-purchase

arrangements of affordable housing. They are an effective way to compel municipal compliance with affordable housing obligations in the absence of established inclusionary

zoning legislation.

The administration's action to develop a joint Land Trust Authority in Detroit provides the perfect opportunity to establish neighborhood-based community land trusts and land banks. Such action is necessary to ensure that in the rush to assemble large parcels of land for commercial developers, Detroit's neighborhoods, and the impoverished and unemployed, will not be left out again.

ECONOMIC DEVELOPMENT ISSUES III: ESSENTIAL IMPROVEMENTS IN DEMOLITION, ZONING

Accelerated Demolition: The Second Time Around

When the previous administration announced a \$60 million program to remove the backlog of 8,500 to 10,000 abandoned and dangerous buildings throughout the City in 1998, it was expected that all the structures would be down within 18 months. Along with the demolition, a multi-million dollar pool of funds was to be provided to make a wide selection of home buyer and repair loans available for the rehabilitation of more than 10,000 low-income houses.

By June 30, 2002, about 8,500 houses will have been removed, but according to the new administration, about 8,000 to 10,000 abandoned and dangerous structures still remain to be torn down. What happened?

Initially, poor planning of the procedures that the process would follow accounted for significant delay in the Accelerated demolition program. Contributing factors for this were:

- \$ There was not a reliable list of vacant buildings that needed to be demolished, rather than repaired.
- \$ Communication between City departments was practically non-existent; this lack of communication made it impossible to accomplish the task efficiently.
- \$ The effort lacked a centralized control mechanism.
- \$ There was a lack of planning on how to facilitate payments to contractors resulting from the stepped-up demolition activity.

In 1998, the Ombudsman's Office cautioned that while the proposed accelerated demolition program had the ability to remove a significant number of abandoned and dangerous buildings, there were a number of necessary steps in order to ensure that the program removed an existing problem without creating new ones. For example, we urged the creation of a rehabilitation loan pool that would allow low-income residents a chance to acquire and rehabilitate marginal housing that could be saved.

As in 1998, the Ombudsman's Office cautions that failure to address the underlying causes of divestment and abandonment that have created the current housing crisis will have to be confronted, or else the entire demolition program will only result in the diversion of scarce funds that could be used for other pressing housing needs. To date, we have spent

more than \$60 million on the project and we have practically the same abandoned housing crisis as when we started. Therefore, rather than helping, it appears that accelerated demolition efforts could even have had negative consequences on Detroit's affordable housing stock. Experience with similar demolition programs in other cities has shown that the process of neighborhood decline and disinvestment can actually be increased when demolition activity is not used wisely.

With the above in mind, the Ombudsman's Office recommends every effort should be made to ensure that any new accelerated demolition project does not duplicate the mistakes of the recent past. The following proposals are being made with the recognition that action needs to be taken to prevent future demolition backlogs from growing to such a crisis level again. In addition, there is a strong need for additional action to prevent the spread of inappropriate land use that leads to the deterioration and abandonment of neighborhood housing.

In 1998, the Ombudsman's Office expressed deep concern that the City's accelerated demolition would prematurely remove housing that could be saved for low-income families. We pointed out that it had the potential to nullify housing rehabilitation programs that City Council had created to benefit Detroit citizens in dire need of decent housing. That concern is still very much in the forefront. The Ombudsman's Office does not believe that any strategy designed to enhance land resources in order to trigger economic development will be successful if it allows the blanket removal of existing housing units that can be rehabilitated for low-income residents.

The City currently has a large number of abandoned buildings in its inventory to which it has obtained title through tax reversion. Many of these buildings are good candidates for low-income housing rehabilitation programs or start-up businesses in commercial districts. But because they are City-owned, they do not have the same legal protections as privately held property. The fact that they can be referred directly from the Planning and Development Department to the Department of Public Works for immediate demolition makes them all the more attractive to a politically motivated accelerated demolition program intent on getting off to a quick start. Therefore, the Ombudsman's Office recommends that a program to save, rehabilitate, and aggressively market City-owned houses takes priority over an accelerated demolition program.

A Zoning Enforcement Problem

Last year, the Ombudsman pointed out that many of Detroit's historic resources are surrounded by junkyards, storage lots, and other similar uses that are typical of communities where police, zoning, and environmental enforcement services have been abandoned. Businesses with non-conforming land use activities seem to have learned that unless an area is targeted for special code enforcement or redevelopment, they can pretty much do whatever they want. **Over the past decade, the Ombudsman's Office has received complaints from preservation groups and citizens who claim that they were**

stonewalled when they tried to purchase City-owned property. Only later did they observe the site was sold to businesses that used the property in a manner that violates zoning regulations and contributes to the spread of blight.

Illegal land uses are not just a threat to Detroit's historic resources. Everything from illegal tractor-trailer parking lots to junk yards, slowly expanding into nearby residential areas, can be seen on a drive throughout the City. As the Ombudsman's Office investigated this problem, it became apparent that last year's recommendation that land swapping might be an effective way to ameliorate the problem could only be effective in a limited way.

Although it takes a public hearing to change zoning classifications that are assigned to specific areas, we have observed a proliferation of illegal uses that negatively effect neighborhoods. For example, our Office has seen residential neighborhoods where Abackyard mechanics@have acquired vacant houses, demolished them, and constructed large garages complete with fully-stocked auto service equipment. Such illegal uses generate a significant level of nuisance commercial activity in the residential community. We recommend that the City initiate a tougher enforcement policy on illegal land use working with the Buildings & Safety Engineering Department, the Police Department, the Department of Public Works, and the courts to ensure the policy can work effectively.

We were delighted to see Mayor Kilpatrick's Budget Message recommend a reorganization of zoning enforcement so that the Environmental Affairs Department will be cross-training environmental inspectors to also monitor and enforce zoning and land-use violations. In addition, we were pleased to hear the Mayor speak to the use of higher fines and civil infractions for environmental violations. We have long advocated such measures.

PUBLIC SAFETY FOR PEDESTRIANS,

PUBLIC TRANSPORTATION, PUBLIC SANITATION

The most successful world cities always have been the ones that provide quality public services to everyone living, working, or visiting within their boundaries. Clean, attractive safe cities will be those that are successful in luring industries and retaining the residents necessary to insure economic survival through the 21st Century. In creating A clean, attractive, and safe cities, city planners and officials must examine such everyday, nuts-and-bolts issues as streets and sidewalks, buses, and litter management. Thus, in part one of this essay, we will analyze pedestrian safety in detail and the many factors that affect it, especially streets, traffic, and sidewalks. Parts two and three of this essay will address public transportation, with a look at missing bus signs and increasing ridership, and public sanitation, with an emphasis on combating litter via increased signage and tougher enforcement measures.

I. Public Safety for Pedestrians

While the phrase A public safety implies many facets for enhancing public health and welfare, in this essay we will look in depth at just one aspect of public safety, developing systems to increase pedestrian safety. (Other public safety aspects are discussed in the Risk Management Essay, on page 1.) Our focus here is on describing the severity of the pedestrian safety problem, a look at redesigning traffic patterns downtown, and improving pedestrian safety in neighborhoods by the use of traffic safety cameras, preventing vehicle parking on sidewalks, and addressing sidewalk repairs.

The Michigan State Police report that in the year 2000, 3,180 motorcycles were involved in motor vehicle crashes within the State; 82 of them involved fatalities. The same year, 2,868 pedestrians in Michigan were involved in motor vehicle crashes; 189 people were killed. **To give some perspective on the pedestrian mortality crisis, it should be noted that pedestrians are almost three times more likely to die whenever they are involved in motor vehicle accidents than are the group that most people think of B motorcyclists.** Overall, there was a 7.1% decline in motor vehicle accident deaths from 1991 to 2000. However, during that same period the pedestrian death rate increased 6.8%. From 1991 through 2000, a total of 1,920 pedestrians were killed by motor vehicles in Michigan.

It should come as no surprise that almost every crash that involves pedestrians result in injury. For example, State Police records show that the City-wide rate of injury for passengers involved in vehicle crashes in 1999 was 32.4 percent. However, during that

same period, almost all of the pedestrian/vehicle crashes in the four precincts serving downtown Detroit resulted in injury. As a matter of fact, the injury rate for this group was

94 percent.

Over the years, there have been a number of attempts to reduce vehicle/pedestrian conflict in Detroit. Strategies that have been tried included cracking down on jaywalkers, ticketing motorists, and even stationing uniformed officers on street corners during peak pedestrian hours downtown. However, the results were usually disappointing.

A tour of downtown Detroit on foot is an easy way to realize the severity of this problem. A disturbing number of vehicles cut in front of pedestrians, even when they cross intersections on the green light and legally have the right-of-way. In addition Red-light running has become a regular practice. This is particularly noticeable on the East-West streets such as Larned and Congress. Adding to these dangerous practices is the fact that non-functioning as well as improperly aligned crosswalk signals cause confusion for walkers and drivers alike. Main pedestrian routes like Woodward Avenue and Fort Street furnish good examples of that confusion. Of course, the problem of pedestrian safety is not simply a downtown phenomenon; Detroit's neighborhoods are also the site of horrendous and needless pedestrian accidents, and Detroit's residents deserve safe streets and sidewalks throughout the City.

Following are some of the safety issues that need to be addressed, in downtown and residential areas, in order to affirm Detroit as a pedestrian-safe City. Until the City acts, citizens will continue to be denied an essential public service, and pedestrians will continue to needlessly suffer injuries and fatalities.

SAFE STREETS FOR DOWNTOWN NEIGHBORHOODS: The circulation patterns of downtown streets have changed very little over the past 50 years. At one time downtown streets were relied on to move large volumes of traffic through the center of town. However, today a system of streets channel traffic onto major freeway links that move traffic in and out of the Central Business District more efficiently. Meanwhile, the much-delayed creation of loft and apartment neighborhoods downtown, which will bring with them parking as well as support services needs, also bring about the need for better street utilization.

The old street circulation system should be reviewed for the purpose of better supporting these downtown neighborhoods and encouraging a more pedestrian-friendly environment.

Restructuring the downtown street system needs to begin now, before the problem of servicing these new neighborhoods creates a transportation planning crisis. The plus side of acting now, rather than reacting later, is that it will enhance the substantial private development efforts that have been made to sell residents on downtown living. **Necessities such as residential loading and drop off zones need to be incorporated into the streetscape, and provision for short term parking must be provided to service the small commercial activities critical for supporting downtown living. Streets not essential to the circulation system need to be modified as neighborhood or local streets.** Also, some one-way streets should be changed to two-way where the

change could better support neighborhood use and retailing. Such changes would also serve the purpose of calming the movement of traffic to a more pedestrian-friendly speed.

Pedestrian-safe Neighborhoods

The Office of the Ombudsman notes that there are pedestrian safety aspects which apply both in downtown and neighborhood districts. Such items as traffic safety cameras, ticketing illegally parked vehicles which block sidewalks, and addressing the problem of sidewalks in disrepair are among those problems which impair pedestrian safety.

TRAFFIC SAFETY CAMERAS & REDUCING INJURY FROM RED LIGHT RUNNING: Many pedestrian injuries occur in marked crosswalks where drivers attempt to beat the light either when it is turning red or before it turns green. According to the Insurance Institute for Highway Safety, about 400 of the pedestrian deaths each year in the United States are caused by drivers who run red lights. One study found that, on a 24-hour average, motorists were likely to run a red light at the monitored intersection about three times per hour.

The running of red lights as well as failure to obey direction signs (e.g., Stop/Yield) are the most reported causes of urban vehicle accidents. However, conventional policy enforcement appears to have had little effect on the practice for a number of reasons. Chief among them are:

- \$ Police do not have the financial resources to patrol every intersection constantly.
- \$ Low staffing levels and repeated tight operating budgets have made ticketing vehicle drivers low priority.

Given the shortage of resources and personnel, the Office of the Ombudsman recommends the City consider installing traffic safety cameras. Traffic safety cameras that are mounted on a pole and wired to traffic signal lights are commonly called red light cameras. They operate off of sensors buried in the intersection. If a vehicle crosses the sensors while the light is red, it triggers the camera which produces a photo showing the car, its license plate, and the date and time of the violation. Police mail a ticket with the photo to the vehicle's owner, who then can respond to the charge through the usual court appeal process. Red light cameras have been proven to reduce light running by up to 60 percent where used.

Opponents of red light cameras argue that the cost is prohibitive, and that innocent motorists can receive tickets because intersection lights often are green or amber when they enter. However, the innocent motorist argument is simply not true. Vehicles that cross the intersection sensors on an amber light or are in the intersection already will not activate them, tickets are issued only where it is clear that the vehicle ran a red light. For example, vehicles turning right on a red would not receive a ticket (unless there is a No

Turn on Red sign, or they fail to yield for pedestrians.) In order to address the fear expressed that sometimes the wrong drivers will be ticketed, some states allow registered owners to avoid paying the fine and receiving points if they file an affidavit swearing that they were not behind the wheel when the violation happened.

Red light cameras are expensive. The Insurance Institute for Highway Safety, Highway Loss Data Institute estimates that they run about \$50,000 each. Installation and sensors cost about \$5,000 per intersection. However, each camera can be moved to various locations, allowing communities to move them between sites without drivers knowing which ones are active at any given time. Start-up costs are offset by fines paid by violators, by savings from crashes prevented, and by freeing police to focus on other matters. One cost-benefit analysis compiled in 1996 claimed that the cameras actually paid for themselves several times over in the first year of operation when all of the economic and social benefits were added up. While acknowledging that the City's current financial crisis may delay implementation of this worthy project, the Office of the Ombudsman encourages the administration to investigate the possibility of grants or other creative funding mechanisms, or simply to defer funding until the budget presents the opportunity to initiate a pilot project.

Red light cameras are currently operating in 15 states, the District of Columbia, and major cities such as New York, Los Angeles, and Phoenix. Unfortunately, these proven pedestrian safety devices are not used in Michigan at this time. However, recent court decisions in other states supporting their use have helped set many procedural guidelines that can more than satisfy the legal objections to them that have been raised, such as concerns about due process rights, privacy invasion, etc. The Office of the Ombudsman believes that a concerted lobbying effort should be mounted to encourage special legislation to allow red-light camera use in certain high-density urban situations.

CLEAN THE CARS OFF DETROIT'S SIDEWALKS! Despite repeated reports, the safety of pedestrians in neighborhood areas, as well as in downtown Detroit, continues to be threatened by surface parking lots that allow vehicles to enter or exit wherever they choose. The absence of fences or even concrete wheel stops encourage drivers to cross sidewalks and curbs at will, and exit from any point in the lot. Also, the tendency of many lot owners to use portions of the public sidewalk to accommodate vehicle parking is another recurring problem that has been consistently ignored by City enforcement officials.

In addition to vehicles entering and exiting areas, those that are not even moving continue to be a threat to pedestrians. Every day in downtown Detroit, pedestrians can be observed being forced to walk around vehicles parked on commercial parking lots that block the right-of-way over public sidewalks. Sidewalks which, quite often, are also cracked and broken, create additional pedestrian hazards because they are used as driveways or parking spots by lot owners. On more than one occasion, pedestrians have been injured due to such conditions.

The Ombudsman's Office does not understand why both the Police Department and the Municipal Parking Department fail to ticket private vehicles that block sidewalk right-of-ways. It does not seem to be a good safety or liability-prevention policy to allow automobiles to share the sidewalk with pedestrians. Surely, creating a business district or a neighborhood where pedestrians do not have to stumble around vehicles and fall on broken sidewalks is not an impossible or costly goal. Last year's report spelled out some of the ways that this could be accomplished in the absence of sufficient Police or Municipal Parking personnel, including the use of part-time employees or volunteers. **If Detroit is to become a clean, safe City, it will be necessary to clear illegally parked cars off the sidewalks. First, they should be ticketed and, if that does not work, they should be towed.**

SIDEWALK REPAIR AND TREES: One of the most common complaints received by this Office is that sidewalk flags, raised and broken by tree roots, go for years without attention after homeowners report them to the City. Cracked, broken sidewalks lead to nasty spills that break bones and cause serious injury. Monetary settlements to citizens for such happenings occupy an all too frequent place on the daily calendar of the Detroit City Council. (Please refer to the Risk Management essay for further discussion about City liability.) The Office of the Ombudsman receives many complaints from citizens who are unable to have sidewalk flags repaired that have been raised or damaged by City-owned trees. Despite repeated calls to the City about these hazards, it often takes years to just get a City work crew out to apply a cold patch over the hazardous bumps. After that, it can be several more years before the hazard is corrected.

The Office of the Ombudsman believes that a stronger effort by the City is needed to identify and temporarily patch broken sidewalks until they can be repaired or replaced. Such action would significantly decrease cash settlements for injuries that are now being paid out. However, the Department of Public Works has continued to give this service item very low priority. We note that the sidewalk repair program in the City Engineer's Division of the Department of Public Works shows no change from the previous two fiscal years, as seen in the Mayor's proposed budget: \$1,000,000. As a result, the entire sidewalk inspection and replacement process must be revised.

Additionally, the replacement of damaged sidewalk flags needs to be better coordinated with the Recreation Department's tree removal schedules. **As it is now, the involvement of two City departments, as many as six or more distinct work orders, and possibly two or three private contractors, can mean that the simple process of tree removal and sidewalk replacement for one property might take over two years.** We recommend that the City amend all appropriate ordinances and designate a central office in the Department of Public Works to track, coordinate, and administer the repair and replacement of dangerous sidewalks.

While the Ombudsman's Office does not often or easily recommend privatization,

when the conditions are critical, we recognize that privatization has its place in the tool belt of City administrators. Where the City appears unable to timely perform the service, where the City employees are not replaced but reassigned to other essential tasks, and where citizens are being too often seriously injured, we believe privatization is an option to be explored. Such a drastic remedy must of course follow the Charter restrictions imposed in Section 6-307, and must include as a contract term jurisdiction of the Ombudsman's Office over the contractor.

II. Public Transportation

Public transportation is one of the core city services that are critical for the survival of urban areas in the 21st Century. Yet, across the United States most mass transit systems are deficit-riddled and suffer declining ridership bases as they struggle to compete with the private car. Against this back-drop, there are urban places like Portland, San Diego, and St. Louis where cost-effective transportation systems have built ridership by providing alternatives to automobile travel. In Detroit, transportation service continues to be unreliable at best, and does a poor job of moving persons to their destinations. Complicating matters, it operates separate from, and is poorly linked with, the regional system.

While this Office is well aware that many planners advocate a regional transportation system to cover both Detroit and the outlying areas, we are hesitant to advocate for such a draconian measure. Regionalizing the Detroit system has been stalled for years because, it is our understanding, suburban Detroit areas are reluctant to offer their coach drivers salaries and benefits equivalent to Detroit's. In such a case, this Office would have no interest in advocating for a system which would work to the detriment of D-DOT employees.

However, it is unarguable that the need for good public transportation in Detroit is critical. Thirty-five percent of all City households count on some form of public assistance or non-cash benefits to survive, and nearly 20 percent do not own any means of private transportation. In response, the local and regional transportation systems have shown little initiative to enhance the quality of service by delivering riders closer to destinations or transfer points, reducing transfers, or minimizing waits. Until that occurs, there cannot be tangible improvement for those citizens who have no other alternative but to ride the bus. **Quality transportation service must be provided to all Detroiters for access to work,**

home, culture, and recreation destinations throughout the region. The sooner that we accomplish better management of Detroit's transportation service, the closer Detroit will be to considering itself a safe, functional City.

WHERE DOES THE BUS STOP? B MISSING BUS SIGNS: Another problem that needs to

be addressed is that of missing bus stop signs. Failure of the department to replace signs in a timely fashion creates a number of problems for passengers and coach operators alike. Detroit Department of Transportation (D-DOT) coaches are supposed to stop only at places that are designated by a coach stop sign. When signs are missing, questions of operator and municipal liability arise if there is an accident. In addition, other vehicles often park in non-posted stops thereby making it hazardous for passengers who board or alight from the coach.

At present, D-DOT does not have adequate information on the number or locations of missing signs. Therefore, it does not have any idea of how extensive the problem is, or what the cost will be of addressing it. Making matters worse, D-DOT relies on the Department of Public Works (DPW) to provide the poles for the signs as well as to erect them at stop sites. As it stands now, DPW drills holes and erects the support poles. Once that has happened, D-DOT sends a crew out from its Plant Maintenance Division to hook up the sign. With two departments involved in a single sign replacement, delays can be the norm rather than the exception.

The solution to this problem is relatively simple: First, it is necessary that D-DOT take action to have an accurate count of missing sign locations. In the future it should update that list at least every six months. **Creating and updating a missing sign reference list would not be a significantly expensive project.** As a matter of fact, compiling these surveys would be a good way for entry level transportation planners to learn about Detroit's coach routes. Alternatively or additionally, bus drivers can be asked to take note of the spots on their routes where signs are missing.

Also, the task of installing the poles and signs, as well as securing the material should be assigned to one department. This would allow for a number of inventory, production, and labor savings for both departments.

BUILDING RIDERSHIP & PASSENGER LINKAGE DOWNTOWN: During the past year, the Detroit Department of Transportation relocated its major transit terminal from Cadillac Square to Capital Park at State and Griswold. However, the physical limits of the new location do not allow room for sufficient transportation linkages to the regional system that serves Detroit.

The Office of the Ombudsman recommends the construction of a downtown transit center that includes passenger linkages for both SMART and D-DOT. Such a move would greatly increase the potential to build ridership as well as make it easier for travelers to make inter/intra City connections. Of course, this will require additional space to accommodate more coaches, but **the economy of joint operation that can be realized would provide immediate economic benefits to each system, as well as allow room for future improvement to the entire regional transportation network.** Another important consideration is the fact that opportunities to assemble enough land in the

central business district are much easier and inexpensive now than they will be in the future.

It is our understanding that Times Square has been discussed by the City Council Downtown Parking Task Force as a potential location for the new linkage terminal, connecting to the People Mover, SMART, taxis, trolleys, etc. Since the D-DOT representative on that Task Force is the new D-DOT Director, we are optimistic that this excellent plan may well become a reality. We applaud and support such a move.

BUILDING RIDERSHIP & BETTER LAND USE IN THE NEIGHBORHOODS: The new housing and neighborhood building projects that should grow out of the proposed land banking activity by the State and City will provide an additional opportunity to build ridership. It is anticipated that the first of many New Urbanist-type community building proposals will come before City Council within the next six months. (The reader may wish to refer to last year's Ombudsman Report on New Urbanism.) These new villages in the city emphasize reliance on the use of public transportation of neighborhood residents to local shopping, parks, educational facilities, etc. In addition, collection centers that provide transit links to destinations outside the neighborhood are key features of these developments.

Of course, neighborhood transportation centers can serve more than as passenger redistribution points. For example, they can provide convenient daycare services, serve as community computer centers, and fulfill dozens of other needs for the community, for which federal funds may be available. The Transportation Equity Act for the 21st Century (TEA-21) allows federal funding for transportation facilities that incorporate community services such as daycare and health care under certain conditions. In addition there are other funds available through that Act, as well as from other sources, that can be tapped.

Again, we are pleased to note that the new D-DOT Director, while attending City Council's Downtown Parking Task Force meetings prior to her appointment, discussed the department's plans to establish both east-side and west-side transit centers, with childcare, shopping, and other services. The plan was said to be funded under federal Empowerment Zone monies. This Office anticipates that the new administration will assist implementation of this worthy plan. Also, we hope that D-DOT planners will consider expanding the number of centers as the number of new city villages increases, and as funds become available.

III. Public Sanitation: Cleaning up the Environment

The Office of the Ombudsman was pleased to note the emphasis in Mayor Kilpatrick's Budget Message on environmental and sanitation concerns including rats, litter,

demolitions, illegal land use, and related environmental enforcement efforts. In this section of the essay, we focus primarily on litter and illegal dumping issues. Litter on Detroit's parks, streets and residential properties is an issue that has a strong negative impact on how the quality of life is perceived in Detroit. Not only does the presence of litter pull down the image of the City, but it adversely affects health and safety, and severely impedes economic development. It broadcasts to the world, **This city is unclean, unsafe and undesirable for investment.**

The traditional approaches to dealing with litter, and those who cause it, have not proven especially effective. Ticketing of property owners is sporadic, at best, and annual clean-ups only do just that: Clean up areas for short periods of time.

Two years ago in the year 2000 Annual Budget Report, pp. 36-47, the Ombudsman's Office recommended action that would help to keep litter off the streets and out of public areas once it has been removed. Key recommendations included:

- \$ Restructuring fines for littering
- \$ Coordination and better utilization of City department employees authorized to issue ordinance violations
- \$ Posting sufficient signage in parks
- \$ Utilizing provisions in the City Code and sentencing violators to clean and clear specific geographic areas, or be assigned to community service

In this section of the essay, we will examine litter-law enforcement and prevention measures in City parks, tougher enforcement measures against illegal dumpers and litterers, and the use of civil infractions.

LITTER IN CITY PARKS & NEW SIGNAGE, TOUGHER ENFORCEMENT: We now recommend, in light of the new administration's emphasis on cleaning up all of Detroit's parks and playgrounds before the Memorial Day holiday, the addition of new signage in City parks. The absence of **No Littering** signs in parks and public open areas needs to be addressed. Further, we propose another anti-litter method, this time aimed at four-legged litterers.

Along with the standard signs that point out that littering is an ordinance violation, it is time that **No Dogs Allowed** signs be placed in playground and picnic areas where children play. A walk through neighborhood play fields and other greenbelts around the City reveal many recreation areas that have been contaminated with pet waste. Irresponsible pet owners should not be allowed to use community parks and play areas as waste stations for their animals. Enforcement against persons who use certain public area for their pets=

waste station should be a priority. Action against those who deliberately choose areas where families and children play should be aggressively enforced.

Those public areas where pets are not prohibited, including perhaps new pet runs and pet parks, should also carry signage which encourages pet owners to bag and carry their dogs' waste. Ann Arbor has such a policy, and it seems to have worked well in terms of public control of animal waste.

Finally, the City could get out the word on tougher enforcement against human and pet littering by use of public service announcements, press releases, flyers and posters in Recreation Centers, school programs, etc. In the public sector, too, sometimes an ounce of prevention is worth a pound of cure.

LITTER ON PRIVATE PROPERTY & NEW ENFORCEMENT MEASURES: While Detroit's parks and playgrounds may be as pick and span on Memorial Day, there are hundreds of backyards in the City that look like dumps and auto junk yards. In addition, there are many more where residents who fail to clean up after their pets also add considerably to the odor, waste, and pest problem that their neighbors are forced to endure. Despite ticketing by the Department of Public Works, Buildings & Safety Engineering, and the Health Departments, the practice of trashing private property continues. Generally, this is because tickets often have no real meaning to illegal dumpers, absentee owners, renters, squatters, or even to many average resident owners.

The Ombudsman's Office recommends a litter code similar to one enacted in Cincinnati, Ohio. That city has adopted an aggressive litter code that allows for the recovery of costs associated with litter removal by placing liens on any type of property that belongs to the property holder. It also allows officials to obtain judgments against both the property owner of record, as well as lessees, agents or tenants who occupy the littered property. Similar action in Detroit could go a long way toward cleaning up the environment while eliminating the cause of a problem that creates so much neighborhood discord and disarray.

The final report of the City of Detroit's Illegal Dumping Task Force recommended that offenders be offered the option to accept community service work in place of fines and/or jail time. This option should also be included as part of an anti-litter initiative. **One cost-benefit analysis on the subject of community service work concluded that the actual labor savings incurred by the City are not significant. However, we believe that the practice could be an effective learning tool for many.** Repeat offenders, for example, might think it over long and carefully before creating a nuisance that they may have to clean up themselves.

Finally, we note with appreciation that Mayor Kilpatrick's Budget Message indicates that the new administration intends to restructure and reorganize the enforcement of

litter ordinances, including the use of civil infractions Afor more aggressive environmental enforcement.@ Such aggressive enforcement would include Afines of up to \$10,000 per violation per day.@ Since we have long been advocating tougher enforcement measures, including the use of civil infractions, we support these reform efforts, and are hopeful that these reforms will take place without delay.

All in all, the new measures introduced by the new administration promise new hope in dealing with public safety for pedestrians, public transportation, and public sanitation or environmental control efforts. We are also encouraged that our recommendations may be similarly considered in this new era of restructure, re-enforcement, and reform.

